Saskatchewan
Tourism and
Small Business

VENTURE CAPITAL CORPORATIONS
GUIDELINES FOR BUSINESSMEN AND INVESTORS

March, 1985

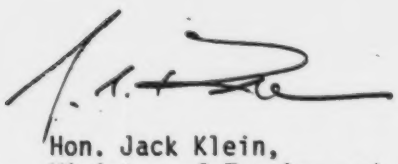
MESSAGE FROM THE MINISTER

The Venture Capital Program is intended to help create a business environment in which both new and existing ventures can develop and flourish. Saskatchewan residents save a greater portion of their disposable income than in other areas in Canada, but these savings are not normally invested in the Saskatchewan business community. The new legislation provides an incentive to investors to consider investing in small business and encourages small business to look for that investment as a real alternative to debt financing.

The operation and management of businesses are left to the people who run them. The government has no involvement in the business decisions surrounding any investment. It contributes to the far more important goal of bringing about the circumstances under which those decisions can and will take place.

Small business is a cornerstone of the Saskatchewan economy. The Venture Capital Program will make investment funds available to small businesses for start-up, expansion or financial restructuring and is a positive step in ensuring the continuing strength of this important economic sector.

This publication is intended primarily for the use of those persons new to the venture capital investment field and business professionals in smaller communities considering formation of Venture Capital Corporations under the new provincial program. We hope it will prove beneficial and would welcome your comments on its contents.



Hon. Jack Klein,
Minister of Tourism and
Small Business

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I. INTRODUCTION

- The Saskatchewan Venture Capital Program was introduced by the provincial government in 1984 under The Venture Capital Tax Credit Act and Regulations.

- The Program is intended to stimulate the growth of the province's small business sector by providing financial incentives to individuals and groups willing to invest in eligible small businesses in the province, both in the expansion and start-up stages of their development.

- The incentives are accessed, and investments effected, through the formation of a Venture Capital Corporation (hereafter referred to as the VCC). The VCC is a legal entity incorporated under The Business Corporations Act of Saskatchewan. Its share capital comprises the pooled funds of the various investors who became its shareholders. The funds so invested become the investment capital of the VCC for the purpose of making equity investments in one or more eligible small businesses (hereafter referred to as ESB's.). The function is that of a financial intermediary, taking money from investors and re-investing in viable business enterprises.

- A VCC can be formed for three purposes, namely:

  * To make an ongoing series of investments in a variety of ESB's.

  * To make a single investment in a single ESB.

  * To make a single investment in a single community project.

- This publication is intended primarily for those persons new to the venture capital investment field and business professionals in smaller communities considering formation of Venture Capital Corporations under the new provincial program. It is primarily relevant to a VCC which is set up to make an ongoing series of investments in a variety of ESB's.

- This publication has been developed from The Venture Capital Tax Credit Act and Regulations but it is not a substitute for the Act or the Regulations.

II. VENTURE CAPITAL FINANCING - AN OVERVIEW

- A VCC invests in ESB's.

- A VCC finances start-ups, development, expansion, turnaround and, in limited cases, buy-outs with the emphasis traditionally being on development and expansion.

- A VCC finances businesses as does a bank or credit union. The way it does so is, however, different. The bank or credit union provides loans with repayment schedules for principal and interest; the VCC makes an equity investment which represents the acquisition of a partial ownership through share purchases, allowing it to participate in the earnings of the business. There is no requirement for a scheduled repayment of principal and interest; the investment will be recovered from dividends and/or capital gains.

- VCC financing, in broad terms, is defined as risk capital and has the following characteristics:

  * Funds must be medium- to long-term (i.e. 3 to 10 years).

  * Funds are 'patient' in that they do not require current servicing of principal, interest or dividends.

  * The VCC participates in any increase in the underlying value of the ESB.

  * VCC financing does not replace other forms of financing but bridges a gap between the total funding required and the available and/or desired levels of debt financing plus other equity.

  * Since VCC financing is at risk, it constitutes a part of the equity base of an ESB and will usually take the form of common shares or voting preferred shares. The latter ranks ahead of common shareholders' interests in the event of liquidation, but after the interests of secured and unsecured creditors.

- The objective of the investor in a VCC is a higher-than-average return. Both parties should view VCC financing as a long-term commitment in which a close working relationship must be developed. The investor will expect a seat on the Board of Directors; to be kept informed of all significant developments; and to participate in all major policy decisions.

III. HOW TO ESTABLISH A VENTURE CAPITAL CORPORATION

SUMMARY

3.1 Introduction and General Flow Chart

3.2 Incorporation

3.3 Saskatchewan Securities Commission Clearance

3.4 Registration

III. HOW TO ESTABLISH A VENTURE CAPITAL CORPORATION

3.1 INTRODUCTION AND GENERAL FLOW CHART

This section applies to all parties wishing to establish a VCC, irrespective of the proposed scale and scope of the planned operation.

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3.2 INCORPORATION

3.2.1 Applicable Legislation

A VCC must be incorporated, i.e. registered as a legal corporate entity, under The Business Corporations Act of Saskatchewan. The Act makes no differentiation between public and private companies although restrictions can be built into the Articles of Incorporation (see Exhibit 2 attached) to limit the number of shareholders or prohibit the sale of shares and securities to the public.

3.2.2 Documentation

i) Incorporation is carried out through the Department of Consumer and Commercial Affairs, Corporations Branch, Regina (565-2962).

ii) An incorporation kit is available upon request from the Corporations Branch and comprises the following:

Form 1 - Articles of Incorporation (see Exhibit 1)

Form 3 - Notice of Registered Office (see Exhibit 2)

Form 6 - Notice of Directors (see Exhibit 3)

Form 27 - Request for Name Search and Name Registration (see Exhibit 4) - (the proposed company name should be cleared in advance with the Corporations Branch).

iii) For the VCC to be eligible for registration, the Articles of Incorporation must be written in a specified way. Please note that:

* in Item 6 of Form 1, the corporate objectives must be restricted, by Articles of Incorporation, to assisting the development of small businesses by:

  - providing capital through the acquisition and holding of securities; and

  - providing business and managerial expertise to small businesses.

* if the VCC's level of capitalization is between $25,000 and $100,000, the Articles of Incorporation must further restrict the VCC to investing in ESB's primarily engaged in business in communities of less than 5,000 residents. Otherwise, Section 5 of The Venture Capital Tax Credit Act provides for an aggregate capitalization of not less than $100,000 and not more than $5,000,000.

* the Articles of Incorporation should also prohibit the payment of any fee or remuneration to any shareholder, director or officer unless approved by resolution of the shareholders.

3.2.3 Corporate Organization

i) Upon receipt of the Certificate of Incorporation, the following administrative actions should be taken to establish the operational framework for the VCC:

* establish any operational corporate bylaws required to regulate the operations and powers of the VCC and its officers. Bylaws are rules adopted by the stockholders setting forth the general method by which corporate functions are carried on; e.g. the time, place, and nature of meetings of the stockholders and directors; how directors are chosen; the appointment of officers and their duties; the issue and transfer of capital stock; the fiscal year; the appointment of auditors; and how bylaws are to be amended. The bylaws must not conflict with the Articles of Incorporation or the law.

* establish and maintain a formal minute book to record all bylaws and resolutions passed at shareholder and director meetings.

* establish a Board of Directors and specify the functions and powers of the Board. Board composition should include expertise to evaluate potential investments. (Refer to Section 4.4).

* appoint executive officers (i.e. president, vice-president, secretary, treasurer, etc.) as deemed necessary.

* obtain and maintain custody of a corporate seal. A seal can be ordered from most stationery suppliers on a company-domiciled order form. It is a metal plate engraved with the full name of the company, as registered under the Articles of Incorporation. The seal should be kept under secure custody as the application of it to a document makes that document legally binding.

* establish an organizational chart to reflect the assigned responsibilities of officers and any support staff.

* establish a business location and recruit required support staff. The number of staff will, of course, depend on the nature and scale of the overall operations of the VCC.

* establish banking arrangements and authorized signing authorities. The bank or credit union will require a sealed copy of the resolution passed by the VCC appointing the signing officers and specimen signatures of each.

* negotiate shareholder agreements to specify rights and obligations of the various parties, including such issues as: power to veto investment proposals, share purchase options, and, most importantly, the means of exit from the VCC in terms of disposal of individual interest. It is probable that there will be a number of shareholders and that some will, at some future date, elect to withdraw from the VCC. As their investment has been re-invested,

additional capital will be required to buy them out. Existing shareholders may wish to be given the first option to buy out the interest of those withdrawing. Alternatively, no withdrawal options may be offered unless an investment is realized upon with sufficient capital gain to retire the share offered. The terms of withdrawal should be clearly stated and understood.

Bear in mind that no incentive is payable to the purchaser of previously issued VCC shares. And if the VCC purchases back its own issued shares under such an agreement, care should be taken to ensure that its capitalization does not fall below minimum requirements as this could lead to de-registration. In addition, the VCC is liable under Section 20(2) of the Venture Capital Tax Credit Act, for recapture of the incentives allowed under the original investment.

ii) Professional assistance should be sought from your accountant and/or lawyer to assist you with the formation and incorporation stages. The costs involved will be more than offset by the benefits to be derived.

iii) Consider membership in the Association of Canadian Venture Capital Corporations (see Section V on page 92).

Exhibit 1

FORM 1

PROVINCE OF SASKATCHEWAN

THE BUSINESS CORPORATIONS ACT

ARTICLES OF INCORPORATION

(Section 6)

1. Name of corporation:

2. The municipality in which the registered office is to be situated:

3. The classes and any maximum number of shares that the corporation is authorized to issue:

4. Restrictions, if any, on share transfers:

5. Number (or minimum and maximum number) of directors:

6. Restrictions, if any, on business the corporation may carry on:

7. Other provisions if any:

8. Incorporators:

Name in full	Place of residence, giving street and number or R.R. number and post office	Signature

Exhibit 1 2 of 2

THE BUSINESS CORPORATIONS ACT

ARTICLES OF INCORPORATION

FORM 1

INSTRUCTIONS

Format:

Documents required to be sent to the Director pursuant to the Act must conform with sections 2 to 6 of the regulations under the Act. Where any provision required to be set out is too long to be set out in the space provided in the form, the form may incorporate the provisions by annexing a schedule in the manner described in section 6 of the regulations.

Item 1:

Set out a proposed corporate name that complies with sections 293 to 295 of the Act and with section 8 of the regulations.

Item 2:

Set out the name of the municipality within Saskatchewan where the registered office is to be situated, for example, City of Town of Village of , or Rural Municipality of . Address of registered office will be provided in Notice of Registered Office (Form 3), which must accompany Articles of Incorporation. The procedure for changing the address of the registered office within the municipality is set out in section 19 of the Act whereas the procedure for changing the municipality in which the registered office is situated is set out in section 167 of the Act.

Item 3:

Set out the details required by clause 6(1)(c) of the Act. All shares must be without nominal or par value and must comply with Division V of Part I of the Act.

Item 4:

If restrictions are to be placed on the right to transfer shares of the corporation, set out a statement to this effect and the nature of such restrictions.

Item 5:

State the number of directors. If cumulative voting is permitted, the number of directors must be invariable, otherwise it is permissible to specify a minimum and maximum number of directors.

Item 6:

If restrictions are to be placed on the business the corporation may carry on, set out the restrictions.

Item 7:

Any provision that is to form part of the Articles may be set out if the provision is permitted by the Act or regulations to be set out in the bylaws of the corporation or in a unanimous shareholder agreement, including any pre-emptive rights or cumulative voting provisions.

Item 8:

Each incorporator must state his name, residential address and affix his signature. If an incorporator is a corporation, the address shall be that of the corporation, and the articles shall be signed by a person authorized by the corporation.

Other Documents:

The Articles must be accompanied by (a) Notice of Registered Office (Form 3); (b) Notice of Directors (Form 6), and (c) Request for Name Search and Name Reservation (Form 27) unless name is reserved.

Completed documents in duplicate and the prescribed fee payable to the Minister of Finance are to be sent to:

Director, Corporations Branch,
3rd Floor, 2121 Saskatchewan Drive
Regina, Saskatchewan.
S4P 3P1

III. HOW TO ESTABLISH A VENTURE CAPITAL CORPORATION

Exhibit 2 1 of 2

FORM 3

PROVINCE OF SASKATCHEWAN

THE BUSINESS CORPORATIONS ACT

NOTICE OF REGISTERED OFFICE

(Sections 19 (2) and (4))

1. Name of corporation: Corporation No.

2. Address (location) of registered office:

3. Mailing address including postal code:

4. Effective date:

5. If change of address, give previous address of registered office:

6. Name of municipality in which registered office is situated:

7. If change of municipality, give name of previous municipality:

Date	Name	Description of office	Signature

Exhibit 2 2 of 2

THE BUSINESS CORPORATIONS ACT

NOTICE OF REGISTERED OFFICE

FORM 3

INSTRUCTIONS

Format:

Documents required to be sent to the Director pursuant to the Act must conform to sections 2 to 6 of the regulations under the Act.

Item 1:

Set out the full legal name of the corporation and except where a number has not yet been assigned, state corporation number.

Item 2:

Set out in full the location of the registered office including street address and, if multi-office building, room number.

Item 3:

Mailing address should include postal code and may include post office box number. If mailing address is the same as in item 2, state "same as above".

Items 4 and 5:

These items need to be completed only if there is a change in the location or address of the registered office.

Items 6 and 7:

These items need to be completed only if the location of the registered office is moved to another municipality. Section 167 of the Act sets out the requirements for changing the municipality within which the registered office is to be situated.

Signature:

A director or an authorized officer of the corporation shall sign the notice. Upon incorporation, an incorporator shall sign the notice.

Service of Documents:

Note that documents may, under section 269 of the Act, be sent to or served upon the corporation at its registered office.

Completed document, in duplicate, is to be sent to

Director, Corporations Branch,
2121 Saskatchewan Drive, 3rd Floor
Regina, Saskatchewan.
S4P 3V7

Exhibit 3 1 of 2

FORM 6

PROVINCE OF SASKATCHEWAN

THE BUSINESS CORPORATIONS ACT

NOTICE OF DIRECTORS

(Sections 101 and 108)

1. Name of corporation: Corporation No.

2. On the day of , 19 , the following persons ceased to be directors of the corporation:

Full Name	Address	Occupation	Citizenship

3. On the day of , 19 , the following persons became directors of the corporation:

Full Name	Address	Occupation	Citizenship

4. The directors of the corporation are:

Full Name	Address	Occupation	Citizenship

Date	Name	Description of office	Signature

Exhibit 3

THE BUSINESS CORPORATIONS ACT

NOTICE OF DIRECTORS

FORM 6

INSTRUCTIONS

Format:

Documents required to be sent to the Director pursuant to the Act must conform to sections 2 to 6 of the regulations under the Act

Item 1:

Set out the full legal name of the corporation and, except where a number has not been assigned, state the corporation number.

Items 2, 3 and 4:

With respect to each director:

(a) set out first given name, initial and family name;

(b) state full residential address and postal code; and

(c) specify occupation clearly, e.g. manager, farmer, geologist.

Signature:

A director or authorized officer of the corporation shall sign the notice. Upon incorporation, an incorporator shall sign the notice.

Completed document, in duplicate, is to be sent to:

Director, Corporations Branch,
3rd Fl., 2121 Saskatchewan Dr.
Regina, Saskatchewan.
S4P 3V7

Exhibit 4 1 of 2

FORM 27

PROVINCE OF SASKATCHEWAN

THE BUSINESS CORPORATIONS ACT

REQUEST FOR NAME SEARCH AND NAME RESERVATION

1. Name, address and telephone number of person making request:

Telephone No. _____

2. Proposed name or names in order of preference:

(a) _____

(b) _____

(c) _____

3. Main types of business the corporation carries on or proposes to carry on:

(a) _____

(b) _____

(c) _____

4. Derivation of Name:

5. First available name to be reserved: YES ☐ NO ☐
Advise result of search by telephone: YES ☐ NO ☐
(Reply will be mailed the same day request is received).

6. Name is for:

7. If for a change of name, state present name of corporation:

8. If for an amalgamation, state names of amalgamating corporations:

_____

For departmental use:

Name (a) ☐ (b) ☐ (c) ☐ is/are available
Name (a) ☐ (b) ☐ (c) ☐ is reserved until _____, 19 .

Or: Name(s) not available for following reasons:

Search made by: _____

Exhibit 4 2 of 2

THE BUSINESS CORPORATIONS ACT

REQUEST FOR NAME SEARCH AND NAME RESERVATION

FORM 27

INSTRUCTIONS

General:

This form is for use in reserving a name or in checking availability of name. One copy of the form will be returned to sender indicating result of search and should, if name is available, be attached to articles when submitted. The form need not be attached to articles if the name has been reserved.

An indication that a name is available at this time is not to be construed as an undertaking that the name will be available if and when the articles are submitted.

Item 1:

Set out name, address and telephone number of person making request.

Item 2:

Set out proposed name or names in order of preference. If more than three names are required to be searched (of which only one will be reserved), one or more additional requests must be sent to the Director and fee must be paid in respect of each name to be reserved.

Item 3:

State the main types of business to be carried on.

Item 4:

If a name does not contain a distinctive word or does not describe the business to be carried on, the onus is on the person requesting the name to provide any information that may assist in deciding the suitability of the name. If a name consists of a coined word or initials, set out derivation.

Item 5:

No fee is payable for name search. A fee of $5.00 is payable for each name reserved.

Item 6:

Set out whether the name is for incorporation, registration of an extra-provincial corporation stating jurisdiction of corporation; change of name; amalgamation, etc.

Completed documents, in duplicate, and the prescribed fee (for reservation) payable to the Minister of Finance are to be sent to:

Director, Corporations Branch,
3rd Floor, 2121 Saskatchewan Drive
Regina, Saskatchewan
S4P 3V7

3.3 SASKATCHEWAN SECURITIES COMMISSION CLEARANCE

3.3.1 Applicable Legislation

If the VCC wishes to obtain public financing, i.e. to raise initial capital by selling its shares to the general public, it will be necessary, under The Saskatchewan Securities Act, to obtain the approval of the Securities Commission. The Commission is responsible for ensuring that the public is protected against fraud or misrepresentation by those offering the securities for sale.

3.3.2 Public Financing

There are three basic options that may be followed to obtain public financing:

i) File a Prospectus

A prospectus is a written statement of disclosure describing the proposed securities issue. It ensures that the public is fully advised as to the terms and conditions relating to the sale and of the identity of the issuer.

A prospectus is usually filed where the amount of capital required is in excess of $500,000.00, the unit dollar value of the shares being offered is small, and the offer is made to the general public.

ii) Apply for a Sophisticated Investor Exemption Order Under Section 21

A Sophisticated Investor Exemption is usually issued where the individuals being approached are of substantial means and the minimum investment is substantial. (see Exhibit 5).

The Exemption replaces the prospectus as the buying group is not the general public at large and is deemed not to require the degree of protection afforded by a prospectus.

iii) Apply for a Private Placement Under Section 66

The third option available is granted on the basis of a Private Placement under Section 66 of The Securities Act. This application should establish a clear community of interest among the proposed investors, i.e. that the sale of shares is not considered to be a primary distribution to the general public, but rather a restricted distribution to a specific group of individuals. (see Exhibit 6).

3.3.3 Documentation

For the benefit of VCC's making applications to the Commission for Rulings or Orders under Sections 21 and 66 of The Securities Act, and in order that such applications may be dealt with more efficiently, the Commission requires the following procedures to be followed:

i) Contents of the Applications

Each application should be divided into two or more parts, the first of which should set out certain general or background information, with the second and subsequent parts dealing with the actual application. The application should include the following information:

The Issuer

* name of the company or issuer.
* place of incorporation and head office.
* date of last prospectus or offering circular and where filed.
* whether listed on an exchange.
* is the issuer up-to-date as to all filings required to be made under The Securities Act, The Business Corporations Act or similar legislation. If the answer is "no", give a full explanation.

Specific Application

* the specific order or decision sought.
* name of the party making the application.
* the facts and law upon which the application is based.
* names of other Securities Commissions or self-regulatory bodies to whom the application is made.

Supporting Documents

* supporting documents which are relevant to the application should be attached as schedules or exhibits to the application.

ii) Signatures or Supporting Declarations

Each application should be signed by the party making the application, certifying as to the truth of the facts contained in it. When the application is made by an agent, it should be supported by an affidavit or certificate verifying the facts contained in the application.

iii) Fees

Each application should be accompanied by the fees prescribed in the Regulations. Section 66 Ruling - $100.00 and Section 21 Order - $300.00.

iv) General Comment

Include background information, specific detail as to the relief being sought, and justification advanced in support of the application. Commission staff is always prepared to discuss proposed applications with solicitors and others, and to assist in any proper manner. The onus of establishing the basis and justification for an exemption order or ruling from the Commission, rests with the applicant.

A common problem area has to do with timeliness of filing applications. The Commission is of the view that it is legally precluded from issuing retroactive orders and even if such authority exists, the Commission would be concerned about the rights of all who might be affected

by such order. It is essential, therefore, that applications be made in sufficient time in advance of the proposed transaction in question to permit proper review and consideration.

3.3.4 References

i) Exhibit 7, attached, represents an excerpt of the relative sections of The Saskatchewan Securities Act.

ii) Exhibit 8, attached, represents The Saskatchewan Securities Commission fee schedule effective June 1, 1984.

iii) For further assistance and guidance, contact the Registrar in Regina at: (306) 565-5645.

Exhibit 5 1 of 3

Saskatchewan Securities Commission

COPY

Third Floor, Williams Building
2121 Saskatchewan Drive
Regina, Canada
S4P 3V7

(306) 565-5845
Telex 071-2862

IN THE MATTER OF SECTION 21
OF THE SECURITIES ACT

AND

IN THE MATTER OF
SASKATCHEWAN LIMITED

ORDER

WHEREAS an application has been received from Saskatchewan Ltd. for an Order pursuant to the provisions of Section 21 of The Securities Act with respect to the proposed distribution of up to 875,000 shares of pursuant to the provisions of the offering documents filed with the Commission;

AND WHEREAS the Commission has reviewed the submission and is of the opinion that it is not prejudicial to the public interest to grant the Order;

THE COMMISSION HEREBY ORDERS that the distribution of up to 875,000 shares of in Saskatchewan in blocks of shares, the payment for which shall not be less than $25,000.00 payable $10,000.00 on subscription and the balance of $15,000.00 on or before the 15th day of February, 1984, is not subject to the requirements of Sections 6 and 42 of The Securities Act provided that:

1) There is no advertising to solicit investors;
2) all investors shall receive a copy of this Order and their attention shall be drawn to paragraph 11 herein;
3) all investors shall receive copies of the material that has been filed with the Commission;
4) shall file with the Commission, in a timely manner, all financial statements and other material it has contracted to provide to the investors or as obliged by Statute, prepare

.....2

Exhibit 5 2 of 3

Section 21 Order -
Saskatchewan Ltd. 2.

and provide to the investors;

5) each investor shall pay a minimum of $25,000.00 for his shares, payable in the minimum amount of $10,000.00 on subscription and the balance of $15,000.00 on or before the 15th day of February, 1984;

6) The offering shall be completed on or before the 30th day of April, 1983, and if the offering has not been fully subscribed on or before that date or such extended date as may be approved by the Commission, all subscription funds shall be returned to the subscribers without deduction;

7) each block of shares described herein shall be purchased by an individual only;

8) solicitation of purchasers shall be made only by a registered securities dealer or by and

9) The registered securities dealer or and as the case requires, after selling the blocks of shares shall file with the Commission within 30 days of the completion of the offering, affidavits identifying the purchasers with their addresses and indicating the number of shares purchased by each individual and stating with respect to each purchaser that:

a) as of the 31st of December, 1982, his net worth was at least $200,000 exclusive of personal home and furnishings; or

b) as of the 31st day of December, 1982, his net worth was at least $50,000 exclusive of personal home and furnishings and his taxable income for the 1982 year was at least $50,000; and

.....3

Exhibit 5 3 of 3

Section 21 Order -
Saskatchewan Ltd. 3.

c) by virtue of his investment experience and his consultation with a professional accountant and/or lawyer he is in a position to evaluate the prospective investment on the basis of the documentation presented to him;

10) a right of rescission applies to each transaction similar to that provided by Sections 71 and 72 of The Securities Act;

11) the blocks of shares shall not be sold, assigned, charged, mortgaged, subdivided or syndicated or in any way dealt with without the prior written consent of the Commission.

12) share certificates issued by shall be endorsed with the following:
"The shares of this company shall not be transferred without the prior written consent of the Saskatchewan Securities Commission";

13) there shall be created a trust to hold all shares issued for each investor until such time as the total subscribed investment has been reached by that investor at which the trustee may disburse the shares to the investor. Should the investor not provide the balance of the subscription and funds as required on or before the 15th day of February, 1984, shall request the trustee to return the shares to for cancellation and the same shall be cancelled. The defaulting investor shall receive only the funds invested to the date of default and no other interest or increase in equity the company may have shown.

DATED AT THE CITY OF REGINA,
IN THE PROVINCE OF SASKATCHEWAN,
THIS 27 DAY OF APRIL, A.D.
1984.

W.G. JOHNSON, CHAIRMAN,
SASKATCHEWAN SECURITIES COMMISSION

Exhibit 6

Saskatchewan

Saskatchewan
Securities
Commission

Third Floor Williams Building
2121 Saskatchewan Drive
Regina, Canada
S4P 3V7

(306) 565-5645
Telex 071-2662

IN THE MATTER OF SECTION 66 OF
THE SECURITIES ACT
AND
IN THE MATTER OF

RULING

WHEREAS an application has been received from for a determination pursuant to the provisions of Section 66 of The Securities Act, R.S.S. 1978, c.S-42, with respect to the proposed placement of 120,000 shares of at a price of 50¢ per share;

AND WHEREAS the placees have filed with the Commission satisfactory undertakings with respect to their investment intent and disposition of the shares issued as approved in this Ruling;

AND WHEREAS the Commission is of the opinion that to grant the Ruling would not be prejudicial to the public interest;

THE COMMISSION hereby rules that the distribution of 120,000 shares of at a price of 50¢ per share as follows:

1. 40,000 shares to Saskatchewan;
2. 40,000 shares to Saskatchewan;
3. 40,000 shares to Saskatchewan;

shall be deemed not to be a primary distribution to the public.

DATED AT THE CITY OF REGINA,
IN THE PROVINCE OF SASKATCHEWAN
THIS 27 DAY OF APRIL, A.D. 1984.

W.G. JOHNSON, CHAIRMAN
SASKATCHEWAN SECURITIES COMMISSION.

/map

Exhibit 7

21. The Commission may, where it is of the opinion that such action is not prejudicial to the public interest, order, subject to such terms and conditions as it may impose, that sections 6 and 42 or either of them do not apply to any trade, security, person or company, as the case may be, named in the order. 1967, c. 81, s. 21; 1968, c. 70, s. 2.

May 1981
5719

Determination of what constitutes primary distribution

66.—(1) Where doubt exists as to whether a trade proposed or intended to be made in a security would be in the course of primary distribution to the public of the security, the Commission may, upon the application of an interested party, determine whether the proposed or intended trade would be in the course of primary distribution to the public of the security and rule accordingly; and such ruling is final and there is no appeal therefrom.

(2) Where, upon an application under subsection (1), the Commission:

(*a*) is satisfied that the number of securities is not substantial in amount in relation to the holdings of the offeror or proposed offeror, or that the proposed purchaser is acquiring the security or securities for investment purposes with reasonable knowledge of the affairs of the issuer; and

(*b*) is of the opinion that it would not be prejudicial to the public interest;

the Commission may rule that, subject to such terms or conditions as the Commission imposes, the trade or intended trade shall be deemed not to be a primary distribution to the public; and the ruling of the Commission is final and there is no appeal therefrom.

Idem

(3) Where the Commission determines under subsection (1) or (2) that a proposed or intended trade would not be in the course of primary distribution to the public of the security, the Commission may rule that registration is not required in respect of the trade.

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Determination as to whether a primary distribution to the public has been concluded

(4) Where doubt exists as to whether a primary distribution to the public of any security has been concluded or is currently in progress, the Commission may determine the question and rule accordingly, and such ruling is final and there is no appeal therefrom. 1967, c. 81, s. 66; 1970, c. 85, s. 5.

Exhibit 8

FEE SCHEDULE

The fee that shall be paid to the Commission,

a)	by a person or company for registration or renewal of registration as:	
	(i) a broker, investment dealer or broker dealer;	$200.
	(ii) a broker and investment dealer;	200.
	(iii) a broker and broker dealer;	200.
	(iv) a broker, investment dealer and broker dealer;	200.
	(v) an investment dealer and broker dealer;	200.
	(vi) an underwriter;	200.
b)	by an individual for registration or renewal of registration as a sub-broker dealer	200.
c)	by a company for registration or renewal of registration as a security issuer	200.
d)	by an individual for registration or renewal of registration as a salesman	75.
e)	by a person or company for registration or renewal of registration as:	
	(i) a securities adviser	200.
	(ii) an investment counsel	200.
f)	for each branch office in Saskatchewan of a broker, investment dealer, broker dealer, securities adviser investment counsel or security issuer	100.
g)	upon transfer of the registration of a salesman from one registered person or company to another	25.
h)	upon the filing of a prospectus with respect to the securities of a mining company	400.
i)	upon the filing of a prospectus with respect of the securities of an industrial, investment or mutual fund company	400.
j)	upon the filing of a new prospectus with respect to the securities of a mining company as required by Section 63 of the Act	400.

Exhibit 8 2 of 2

k)	upon the filing of a new prospectus with respect to the securities of an industrial, investment or mutual fund company as required by Section 63 of the Act	$300.
l)	upon the filing of an amended prospectus under Section 62 of the Act	100.
m)	upon the filing of a prospecting syndicate agreement under Section 41 of the Act	100.
n)	upon application to the Registrar under subsection (2) of Section 6 of the Act for permission for a new partner or officer of a registrant to trade in securities	50.
o)	upon application to the Registrar under subsection (3) of Section 6 of the Act for the designation of a new official of a company registered as a security issuer, as a trading official of that company	50.
p)	for an examination made under Section 40 of the Act of the financial affairs of any person or company whose securities have been the subject of a filing with the Commission, for each person engaged in conducting such an examination, an amount not exceeding per day	300.
q)	by a person (other than an individual) or company upon application for exemption under clause (c) of subsection (1) of Section 20 of the Act	100.
r)	for copies of documents, on file in the public files of the Commission for each page	.50¢
s)	upon the filing of the notice by a company of its intention to offer additional securities under clause (i) of subsection (1) of Section 20 of the Act	150.
t)	upon an application for a ruling under Section 66 of the Act	100.
u)	upon an application for an order under Section 21 of the Act	300.
	Parts XI, XII and XIII Exemptions	25.

3.4 REGISTRATION

3.4.1 Applicable Legislation

Registration of the VCC is effected through the Venture Capital Branch of the Department of Tourism and Small Business in Regina for the purpose of ensuring public identification of the principals behind the Corporation and the intended scope of operations. In addition, the Department will monitor the activities of the Corporation to ensure its continued compliance with the relevant legislation and regulations. ((306) 565-2252 or (306) 565-3526).

3.4.2 Documentation

A registration kit is available upon request from the Venture Capital Branch and comprises the following:

* Application/Proposal for Registration (in duplicate) - (see Exhibit 9).
* Affidavit of the VCC (included in application).
* Statement of Affiliation (included in application).

These should be returned to the Venture Capital Branch together with:

* certified copy of Articles of Incorporation.
* copy of Certificate of Incorporation.
* copy of Corporate Bylaws.

3.4.3 Capitalization

At the time of Application for Registration, the VCC must have issued capital of not less than $100,000 and not more than $5,000,000. In the case of a VCC which is limited by its Articles of Incorporation to investing in small businesses primarily engaged in business in any urban, rural or northern municipality, with a population less than 5,000 residents, the minimum capitalization is then $25,000, and the maximum capitalization level above applies.

3.4.4 Departmental Review

i) The Department will review the Application for Registration based on the following checklist factors:

* Application in duplicate:
  - signed by two officers or one director and one officer.
  - certified by affidavit.
* Certified Copy of the Articles of Incorporation provided.
* Copy of the Certificate of Incorporation provided.
* Copy of Corporate Bylaws provided.

ii) Pursuant to Section 5 of The Venture Capital Tax Credit Act, before an applicant can be registered as a VCC, the Department must be satisfied that:

* the applicant is complying with all provision of The Business Corporations Act.
* the applicant has never previously carried on business.
* the equity capital falls within minimum and maximum restrictions:-
  - minimum $100,000 - maximum $5,000,000
  - minimum $ 25,000 - maximum $5,000,000 where the Articles of Incorporation restrict investment to centres with a population of less than 5,000 residents.
* the businesses which the applicant may carry out are restricted by the Articles of Incorporation as required by Section 5(e) of The Venture Capital Tax Incentive Act.
* the applicant has appointed an acceptable trustee. (refer Section 4.2).

3.4.5 Notification of Approval/Rejection

Acceptance or rejection of the application will be advised to the applicant by registered letter.

Exhibit 9 1 of 4

Saskatchewan Tourism and Small Business

Venture Capital Program

Venture Capital Corporation

Corporation Identification Number

Name of Corporation | Telephone Number

Operating Name (if different from above)

Registered Office Location in Saskatchewan — Street Number and Name

City, Town, Village | Province: Saskatchewan | Postal Code

Mailing Address (if different from above)

City, Town, Village | Province | Postal Code

Class of Shares	Authorized Capital: Number of Shares	Authorized Capital: Maximum Aggregate Consideration	Stated Capital: Number of Shares Issued	Stated Capital: Aggregate Consideration

Debt Obligations

Mortgages	$	Other (Specify)	$
Bonds	$		$
Debentures	$		$

Directors of Corporation (Attach schedule if insufficient space)

Surname | Given Name(s) | Occupation/Profession

Residence Address — Street Number and Name (Apt. No., R.R. No.)

City, Town, Village | Province | Postal Code | Telephone Numbers: Home / Business

Surname | Given Name(s) | Occupation/Profession

Residence Address — Street Number and Name (Apt. No., R.R. No.)

City, Town, Village | Province | Postal Code | Telephone Numbers: Home / Business

Surname | Given Name(s) | Occupation/Profession

Residence Address — Street Number and Name (Apt. No., R.R. No.)

City, Town, Village | Province | Postal Code | Telephone Numbers: Home / Business

Exhibit 9

Officers of Corporation (Attach schedule if insufficient space)

Surname	Given Name(s)	Occupation/Profession
Residence Address – Street Number and Name (Apt. No., R.R. No.)		Office Held
City, Town, Village		Telephone Numbers
Province	Postal Code	Home Business

Surname	Given Name(s)	Occupation/Profession
Residence Address – Street Number and Name (Apt. No., R.R. No.)		Office Held
City, Town, Village		Telephone Numbers
Province	Postal Code	Home Business

Surname	Given Name(s)	Occupation/Profession
Residence Address – Street Number and Name (Apt. No., R.R. No.)		Office Held
City, Town, Village		Telephone Numbers
Province	Postal Code	Home Business

Transfer Agent (if one is to be appointed)

Name	Telephone Number
Street Number and Name (Apt., P.O. Box, R.R. No.)	
City, Town, Village / Province / Postal Code	

Trustee (with whom the trust account required by section 8 of the Act will be maintained)

Name	Telephone Number
Street Number and Name (Apt., P.O. Box, R.R. No.)	
City, Town, Village / Province / Postal Code	

The Minister of Tourism and Small Business may verify all statements made in this proposal
I understand that it is an offence to make a false or misleading statement in a proposal

Signature of Director or Officer	Signature of Second Officer
Name of Director or Officer (please print)	Name of Second Officer (please print)
Date	Date

Corporate Seal

Exhibit 9 3 of 4

Affidavit

I, _____

of the _____

in the _____

make oath and say as follows:

1. I am one of the directors/officers of _____ who signed this proposal, and have knowledge of the matters hereinafter sworn.
2. The corporation has complied with all requirements of Section 5 of The Venture Capital Tax Credit Act.
3. All Statements made in this proposal for registration of the corporation as a venture capital corporation are true and correct.
4. _____ who also signed this proposal is an officer/director of the corporation.

Sworn before me

at the _____

in the _____

this _____

day of _____ 19____

A Commmissioner, etc.

_____

Director of Officer

Exhibit 9

Statement of Affiliated Corporations

Is this proposed Venture Capital Corporation affiliated with any other Corporations? ☐ Yes ☐ No
If "yes", please complete the following:

Name of Corporation	Jurisdiction where incorporated
Street Number and Name	
City, Town, Village	Province / Postal Code

Name of Corporation	Jurisdiction where incorporated
Street Number and Name	
City, Town, Village	Province / Postal Code

Name of Corporation	Jurisdiction where incorporated
Street Number and Name	
City, Town, Village	Province / Postal Code

Signature of Director or Officer

Date

Where to Return Your Application:

Please submit your completed application in duplicate to:

Venture Capital Program
Saskatchewan Tourism and Small Business
5th Floor
2103 11th Avenue
Regina, Saskatchewan
S4P 3V7

You will receive official notification of your registration status.

IV. HOW TO OPERATE A VENTURE CAPITAL CORPORATION

SUMMARY

4.1 Introduction and General Flow Chart

4.2 Operation of a Trust Account

4.3 Application for Investment Incentive

4.4 How to Raise Capital

4.5 Criteria for Investments

4.6 Solicitation of Investment Proposals

4.7 Evaluation of Potential Investments

4.8 Monitoring the Investment

4.9 Reporting Requirements

4.10 De-Registration

IV. HOW TO OPERATE A VENTURE CAPITAL CORPORATION

4.1 INTRODUCTION AND GENERAL FLOW CHART

This section applies primarily to VCC's which are establishesd for the purpose of making an ongoing series of investments in a number of ESB's. While some subsections are not relevant to single business or community project type VCC's, the general requirements for practical and efficient management and performance monitoring do apply if the project is to be successful.

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4.1.1	**Operation of a Trust Account**		
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4.1.5	**Solicitation of Investment Proposals**		
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	establish documentation requirements for investment proposals	4.7.1	61
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4.1.9	**Reporting Requirements**		
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4.2 OPERATION OF A TRUST ACCOUNT

4.2.1 Purpose

A trust account is required to:

i) accumulate the 30% portion of the contributed funds representing the tax incentive. The funds are thus placed under joint control of the VCC and the Department of Tourism and Small Business, and

ii) provide a safety net for the partial recovery of the incentive in the event of default or dissolution.

4.2.2 Trustee

The account is to be set up in the name of a Trustee, i.e. the financial institution with whom the VCC does its banking, in trust jointly for the VCC and the Department of Tourism and Small Business. The Trustee's sole responsibility is to ensure that no funds are released from this account without the stipulated joint signatures of authorized signing officers.

4.2.3 Documentation

i) Upon registration, the VCC will receive a package of trust account documents from the Venture Capital Branch relative to the nature of its banking connection (i.e. for a bank, trust company or credit union). The package comprises the following:

* Resolution of the Board of Directors - to be completed by the VCC (see Exhibit 10).

* Direction to Trustee re: Setting up a Trust Account - a set of instructions for the trustee (see Exhibit 11).

* Confirmation of Trust Account - to be completed by the trustee (see Exhibit 12).

* Direction/Agreement re: Operation of a Trust Account - to be completed by the Trustee and the VCC (see Exhibit 13).

ii) The VCC is required to set up a joint trust account with the Department in an amount equivalent to 30% of its original capitalization. The above forms are to be completed and returned to the Venture Capital Branch, together with a copy of any investment certificates, if funds are held by means of a term deposit.

iii) Approval of the trust account arrangements is given by means of a Confirmation of Trust Account, with a copy going to the Trustee.

4.2.4 Release of Funds

Funds will be released from the trust account, as eligible investments are made, on the basis of 1/7th of the trust account for every 1/10th of the capitalization invested. To become eligible, full particulars of each investment must be disclosed to the Department and Department officials must approve all eligible investments prior to their acquisition by the VCC. (Refer Section 4.5).

Exhibit 10 1 of 3

RESOLUTION OF THE BOARD OF DIRECTORS

OF

_____

WHEREAS _____

(the "Corporation") has made application to the Department of Tourism and Small Business for registration pursuant to The Venture Capital Tax Credit Act, (the "Act"),

AND WHEREAS the Act provides that the Corporation shall maintain a trust fund in which all money is held in trust jointly for the Corporation and the Crown,

AND WHEREAS the Act further provides that the money held in the said trust fund shall not be paid to any person unless the Department of Tourism and Small Business has consented in writing to such payment,

THEREFORE BE IT RESOLVED:

1. THAT _____

   or any _____ of them is hereby authorized for and on behalf of the Corporation to open a trust account with _____

   _____ (the "Bank") in the name of the Corporation in trust for (name of V.C.C.) and the Department of Tourism and Small Business, jointly.

2. THAT the Corporation issue a letter to the Bank concerning the signing authorities and operations of the said trust account.

.....2

Exhibit 10 2 of 3

- 2 -

3. THAT _____
or any _____ of them are hereby authorized for and on behalf and under the corporate seal of the Corporation to execute and deliver the said letter with such alterations, additions, amendments and deletions as may be approved by the persons so executing the same on behalf of the Corproation, and execution accordingly shall be conclusive evidence of such approval and the said officers are hereby authorized to do and perform all such other acts and things as shall be required by the Bank for the purpose of giving effect to this resolution.

4. THAT all acts done and documents executed on behalf of the Corporation as hereinbefore authorized may be relied upon by the Bank and shall be valid and binding upon the Corporation and whether or not the corporate seal of the Corporation has been affixed to any such document.

5. THAT the Corporation shall provide the Bank with a copy of this resolution and a list of names of the directors, officers and employees of the Corporation authorized by this resolution to do any act or thing, together with specimens of their signatures, to be acted upon by the Bank until notice to the contrary or of any change therein has been given in writing to the Manager or Acting Manager of the branch.

.....3

Exhibit 10 3 of 3

- 3 -

CERTIFIED to be a true copy of a Resolution of _____ _____ which was enacted and passed by all the directors on the _____ day of _____, 198__, and remains in full force and effect, unamended, as at the date hereof.

DATED this _____ day of _____, 198__.

_____ C/S
Secretary

Exhibit 11 1 of 3

DIRECTION TO TRUSTEE FOR SETTING UP TRUST ACCOUNT

Dear _____
(name of Financial Institution)

RE: The Venture Capital Tax Credit Act
- Trust Account for

_____

As you know, thirty percent of all amounts received by a Venture Capital Corporation (the Corporation) as equity capital must be set aside in a trust account. I enclose the following documentation to establish such an account:

(a) a corporate Resolution authorizing the establishment of the trust account;

(b) a corporate Direction to your bank indicating that the trust account is to be operated in conjunction with an operating account (quoting the trust and operating account numbers therein) and that no monies may be paid out of the trust account for whatever reason without the consent of one of two authorized signatories from the Department of Tourism and Small Business together with the authorized signatory or signatories of the Corporation.

(c) In addition to these documents, we require that the bank's standard account agreement be executed, that it be headed "Re: Trust Account Number _____ _____" and that the following changes be made to the agreement:

see schedule A

_____

_____

Basically, these documents provide for the setting up of an operating account against which all charges pertaining to the trust account are to be made.

For release purposes, original specimen signatures of the two authorized Department of Tourism and Small Business signatories have already been provided to your Bank's head office, from which you may obtain a copy.

.....2

Exhibit 11

- 2 -

Please forward the following to the Department of Tourism and Small Business:

1. An Original executed set of the documentation as set out in paragraphs (a) and (b) and (c) above;

2. Written confirmation from you of (1) the amount of money deposited into the trust account and (2) the manner in which those funds are being held (cash, etc.);

   AND (if applicable)

3. Where the trust funds are held by means of a term deposit with the Bank, a copy of the certificate, indicating on its face:

   (i) that the monies are being held in trust as follows:

   "name of Trustee IN TRUST FOR name of your V.C.C. and the Department of Tourism and Small Business, jointly, within Account Number _____"; and

   (ii) that the principal is to be charged to the trust account and the interest to the operating account.

If the monies held in the trust account by way of a term deposit are rolled over in the trust account upon maturity, no written consent of the Department of Tourism and Small Business will be required. On the other hand, if the monies are placed with a different financial institution or bank for purposes, for example, of obtaining a higher interest rate, written consent of the Department of Tourism and Small Business will be required as that placement will constitute a payment out of the trust account within the Act.

Secion 8 (6) of The Venture Capital Tax Credit Act provides that interest earned on the trust account shall be paid to the venture capital corporation.

This may be done without the consent of the Department of Tourism and Small Business and your banking representative may confirm this fact with us at any time.

The name and style of the account must be "(Name of your V.C.C.), in trust for (name of your V.C.C.) and the Department of Tourism and Small Business, jointly."

PLEASE NOTE: No grants or tax credits can be paid or allowed unless and until the trust account has been established under the Act.

Please forward all documents to: Venture Capital Program
Saskatchewan Tourism and Small Business
5th Floor
2103 - 11th Avenue
Regina, Saskatchewan
S4P 3V7

Exhibit 11 3 of 3

SCHEDULE A

BANK AGREEMENT CLAUSES TO BE EXTRACTED

1.	Nova Scotia	- Paragraph 3
2.	Royal (Form 459)	- Paragraphs 4 & 7
3.	Continental	- Paragraphs 4 & 7
4.	Montreal (Form L.F. 31)	- Paragraph 3 - Clauses a, b, c & d
5.	CIBC (Form 70-75)	- Paragraph 2 - Clause a only
6.	Toronto-Dominion	- (1) Paragraph 4 - Clauses a, c, & d
		- (2) In the last line of Paragraph 2, add the word "operating" before the word "account."
7.	Mercantile Bank of Canada	- Paragraph 2, Clauses (a), (b) & (c)

Exhibit 12

Re: Account Number _____

The above-noted account has been opened at this Branch and is styled in the following manner: " _____ _____ in trust for _____ _____ and the Department of Tourism and Small Business - jointly."

The following original executed documents are enclosed as requested:

1. A Resolution of the Board of Directors to establish a Trust Account.
2. A Direction as to the operation of the Trust Account.
3. A standard Account Agreement with clauses _____ see schedule A _____ deleted.

It is understood that interest earned on monies deposited to this account will not be credited to this account, but rather to any other account designated by the V.C.C., pursuant to Section 8 (6) of The Venture Capital Tax Credit Act.

It is also understood that no principal amount in this account may be removed without the written consent of one of two authorized signatories from the Department of Tourism and Small Business with the authorized signatories of the Corporation.

Signature

Bank Stamp Title

(Please return after all documents are in your possession.)

Exhibit 13

DIRECTION

(Bank Branch and Address)

Dear Sirs:

Re: _____ (the "Corporation")

Trust Account No. _____

The above-noted account has been opened as a trust account pursuant to Section 8 (1) of The Venture Capital Tax Credit Act

(the "Bank") is hereby authorized and directed to operate this account as follows:

1. The Bank may debit the Corporation's Operating Account No. _____ with the amount of any bill of exchange, promissory note, cheque or other instrument which, having been previously credited to this account, is returned to the Bank unpaid or in respect of which settlement is not received by the Bank, together with any charges, expenses and penalties properly incurred by the Bank including overdraft charges in connection therewith and the Corporation shall be liable to the Bank in respect of each amount so debited including any overdraft.

2. Any one of the following or a combination of the following _____ _____ is hereby authorized for and on behalf of the Corporation from time to time:

.....2

Exhibit 13 2 of 3

- 2 -

(a) to deposit with or transfer to the Bank (but for the credit of this account only) all or any cheques and other orders for the payment of money, and for such purpose to endorse the same, or any of them, or to deliver the same, or any of them, to the Bank endorsed with the name of the Corporation; and

(b) to execute the Bank's form of agreement as to the operation and verification of the account of the Corporation and also to execute any agreement with or authority to the Bank relating to the banking business of the Corporation whether generally or with regard to any particular transaction.

3. The Bank may make a reasonable service charge against the operating account and may debit the account from time to time with the amount of such charge.

4. One of _____

_____

together with one of the Assistant Deputy Minister, Department of Tourism and Small Business or the Director of the Venture Capital Program are hereby authorized for and on behalf of the Corporation from time to time to make, sign, draw, or transfer all or any cheques or other orders for the payment of money, term deposits, contracts for letter of credit and forward exchange.

.....3

Exhibit 13 3 of 3

- 3 -

The provisions of paragraph 4 hereof may not be amended or revoked without the consent in writing of the Department of Tourism and Small Business.

The Bank may, upon 30 days written notice to the Corporation and the Department of Tourism and Small Business, terminate its role as "Bank" regarding operation of the Trust Account.

Yours truly,

_____ C/S

4.3 APPLICATION FOR INVESTMENT INCENTIVE

4.3.1 Incentive

Eligible investors will receive a tax credit equal to 30% of their investment in a VCC. This tax credit must be applied first against net Saskatchewan tax payable in the current year, with the unused balance being carried forward for up to seven years. Eligible investors as defined under The Venture Capital Tax Credit Act, who are exempt from paying income tax (eg. Pension Funds registered pursuant to The Pension Benefits Act and exempt under The Income Tax Act) will receive a cash grant equal to 30% of their investment in the VCC.

4.3.2 Documentation

i) The VCC will complete the Request for Certificate of Investment/Application for Incentive to request an appropriate number of certificates in accordance with the number of shareholders in the Corporation (see Exhibit 14). The form is to be submitted to the Venture Capital Branch.

ii) Upon receipt of the requested forms, (see Exhibit 15), the Investors, and the VCC on their behalf, will complete the request for a tax credit or a grant and submit it to the Venture Capital Branch in accordance with the following guidelines:

* certificates are to be issued in numerical sequence.

* separate certificates are to be issued for each type of shares purchased by an Investor. For instance, if both common and preferred equity shares are purchased by the same Investor, separate certificates are to be issued for each.

* Part A of this form is to be completed by the VCC.

* the VCC is to retain the pink copy of the form for its records and forward the white and yellow copies to the Investor for completion.

* the Investor will complete Part B of this form, retain the yellow copy, and forward the white copy to the Department of Tourism and Small Business.

* any certificates to be cancelled should be marked "voided" on each of the three (3) copies and all three (3) copies returned to the Department.

* the certificates can only be used by the VCC to which they are issued and they are subject to numerical control by the Venture Capital Branch of the Department.

4.3.3 Notification/Payment

A notification of tax credit will be mailed to the Investor by the Department and tax credit vouchers will be mailed out annually or semi-annually to accommodate corporate investors. Where the incentive is in the form of a grant, payment will be made directly to the Investor by cheque.

Exhibit 14

REQUEST FOR CERTIFICATE OF INVESTMENT/APPLICATION FOR INCENTIVE

Venture Capital Corporation Legal Name: _____

Operating Name: _____

Head Office Location: _____

_____

_____

Mailing Address: _____

_____

_____

Number of Certificate of Investment/Application for Incentive required: ☐

Note: This number should correspond to the number of shareholders in the Venture Capital Corporation. Joint investors should only be counted as one investor in completing the form.

Once complete, forward to: Venture Capital Program
Department of Tourism and Small Business
5th Floor, Bank of Montreal Building
2103 - 11th Avenue
Regina, Saskatchewan
S4P 3V7

Exhibit 15

Saskatchewan
Tourism and
Small Business

Venture Capital Program
Application for Incentive

No.

Please read instructions on reverse before completing this form.

Part A — Certificate of Investment — To be completed by Venture Capital Corporation (V.C.C.)

Name of Venture Capital Corporation					Registration Number
Name of Shareholder (as shown on share certificate)					S.I.N. or Corporation No
Class of Shares Issued	Number of Shares Issued	Cash Consideration Received $	Date Consideration Received Y Y M M D D	Share Certificate No.	Date Share Certificate Issued Y Y M M D D

We Certify That:

The shares described in this Certificate have been fully paid for in cash consideration.

The person shown above as the Shareholder has been recorded in the share register of the Corporation as the Registered Owner.

Prior to the issuance of this Certificate, thirty per cent of the consideration received for the shares described in the Certificate has been deposited in trust for the Corporation and Crown jointly in accordance with subsection 8(1) of The Venture Capital Tax Credit Act.

Signature of Corporate Secretary	Name of Corporate Secretary (please print)	Date: Y Y M M D D
Signature of Other Officer	Name of Other Officer (please print)	Position/Office

Part B — Application for Incentive — To be completed by Investor

Full Name of Investor				
Residence Address (business address if the applicant is not an individual) Street No. and Name (Apt. # or R.R. #)				
City, Town	Province	Postal Code		Telephone

The registered shareholder is: (please check the appropriate box)

☐ (a) an individual resident in Saskatchewan who is the beneficial and registered owner of the shares (if the shares are jointly held, attach the name and address of each joint owner to this form).

☐ (b) a corporation which is the beneficial and registered owner of the shares.

☐ (c) a pension fund that is registered pursuant to The Pension Benefits Act.

☐ (d) a person or pension fund permitted by The Venture Capital Tax Credit Act or its regulations to make this application (attach particulars of entitlement, including all information required by the regulations, to this form)

Special Mailing Provisions (Unless otherwise provided, all tax credits or grant cheques will be mailed to the address shown above for the investor.) The investor authorizes the Minister to mail any tax credits or grant cheques to the following:

In submitting this Application for Incentive, I certify that:

I am the investor or an authorized signing officer or trustee of the investor.

The investor purchased the shares described above directly from the V.C.C. for consideration in cash and the shares are fully paid.

The investor has/has not (delete inapplicable phrase) previously applied for an incentive in respect of other shares.

All statements made in this Application or any listing required by this Application are true and correct.

Signature of Investor or Authorized Officer or Trustee	Name of Authorized Officer or Trustee (please print)
Position Held by Authorized Officer or Trustee	Date

Exhibit 15 2 of 2

Instructions

(1) Part A of this form is to be completed by the Venture Capital Corporation.

(2) The Venture Capital Corporation is to retain for its records the pink copy of the form and to forward the white and yellow copies to the investor for completion.

(3) The investor will then complete Part B of this form and will retain the yellow copy and will forward the white copy to Department of Tourism and Small Business.

(4) The Department of Tourism and Small Business will process the incentive application and will forward any tax credit or grant cheques to the residence address or business office listed by the investor unless special mailing provisions are provided on the Application.

Note: Where an investor has paid for the shares by means of an uncertified cheque, the Venture Capital Corporation must present that cheque for payment before the officers of the Venture Capital Corporation certify that the shares have been issued for "cash" consideration.

Please Forward White Copy to:
Venture Capital Program
Saskatchewan Tourism and Small Business
5th Floor
2103 11th Avenue
Regina, Saskatchewan
S4P 3V7

4.4 HOW TO RAISE CAPITAL

4.4.1 Sources

i) Venture capital is raised through the sale of shares of the Venture Capital Corporation to individuals, groups and corporate entities. (Refer Section 3.3 regarding requirements of the Saskatchewan Securities Commission).

ii) Possible contacts for potential investors include family members of principals; local businessmen and farmers; financial institutions; and professional persons such as physicians, dentists, optometrists, lawyers, accountants, bankers, insurance agents, and other people who tax plan.

iii) An alternative would be to joint venture with other existing VCC's, up to a combined 49% maximum ownership of the ESB.

iv) In the longer term, additional capital sources include any earnings from current investments (net of operational costs) or capital gains from realization on existing investments.

v) Capital need not necessarily be in the form of hard cash. For specific projects, part of the capital requirement can be in the form of land and/or buildings, as in the case of a joint municipal government/local community-type project to build a recreational facility. However, this option is only open to the 51% or more private ownership - the VCC's investment of up to 49% must be in hard cash.

4.4.2 Critical Factors

i) The selling price of the shares, and the minimum value of a subscription, can enhance access to various levels of private savings. For example, a small local project in a rural community would probably be subscribed to in a small way by a large number of individuals. On the other hand, a large project in a large urban centre may attract a small number of subscribers with substantial investment dollars.

ii) Raising capital is essentially a selling function involving promotional efforts to persuade potential investors of the potential profitability of such a venture. In the event of a need to raise additional capital on an ongoing basis to expand operations, it will be necessary to demonstrate past success or, at least, a potentially successful portfolio of current investments.

iii) In general, the methodology for raising capital will depend on the nature of the VCC and its specific intended scope of operations.

4.5 CRITERIA FOR INVESTMENTS

4.5.1 Investment Levels

The VCC must achieve investment levels in ESB's according to the following schedule:

* maintain at least 40% of the amount of its equity capital invested in eligible investments prior to the end of the first 18 months following registration.

* maintain at least 70% of the amount of its equity capital invested in eligible investments prior to the end of the first 30 months following registration.

* maintain the remaining balance of its equity capital in liquid assets or investments.

4.5.2 Eligible Business Criteria

A small business must meet the following eligibility criteria:

* be Canadian-controlled.

* have no more than 75 employees at the time of investment by the Corporation.

* pay at least 75% of its wages and salaries in respect of its Saskatchewan operations.

* operate at arm's length of the investing VCC.

* be primarily engaged in manufacturing and processing, tourism activities or research and development, or in other activities as approved by the Minister for communities of under 5,000 residents.

4.5.3 Eligible Types of Business

Eligible business types are restricted to the following:

* eligible manufacturing and processing businesses include those that transform raw, unfinished or prepared goods and materials into a marketable form for sale or lease.

* eligible tourism businesses include the operation and management of a commercial attraction or facility other than accommodation or food service, designed for persons travelling more than 80 kilometres from their ordinary place of residence, and includes facilities incidental and ancillary to those activities.

* eligible research and development businesses include those primarily engaged in scientific research as defined under Section 2900 of the federal income tax regulations. Permissible research and development activities also include the improvement or creation of new materials, products or processes.

4.5.4 Ineligible Types of Business

The following activities are <u>not</u> eligible for investment:

* farming
* primary resources
* construction
* service and retail, except in the case of ESB's based in communities of under 5,000 residents
* real estate

4.5.5 Constraints

Eligible investments are subject to the following constraints:

* the investment must be in newly issued equity shares which carry voting rights.
* a VCC is limited to purchasing up to 49% of the voting shares of an ESB. Two or more VCC's cannot own more than a combined 49% of the voting shares of an ESB.
* the investment must be for the purposes of purchasing new equity shares in an ESB.

* ownership of the shares of the ESB by foreign residents, directly or indirectly, is limited to 25% of the total number of issued and outstanding shares and individual non-resident holdings are limited to 10% of the total.

* generally subject to the provisions of The Venture Capital Tax Credit Act and Regulations which are appended. (see Section IX)

4.6 SOLICITATION OF INVESTMENT PROPOSALS

If you already have a potential investment(s), you can move on to Section 4.7 on page 61. If not, you can consider the following sources:

* Identifying prospective ESB's involves two-way action in that both parties will be seeking each other to establish a community of interests.

* Prospective ESB's may be referred to a VCC by a variety of "middlemen" such as lawyers, accountants, bankers, insurance agents, government departments, and other non-government organizations.

* A more proactive role can be undertaken by the VCC. This would involve actively seeking out potential ESB's by such means as advertising, listed membership in the Association of Canadian Venture Capital Corporations, or personal contacts through the same range of parties identified above.

* It is probable that the announcement of a new VCC by provincial government news release will generate an initial round of applicants.

* Another source of contacts would be the Research and Development groups at the universities in Saskatoon and Regina; the Saskatchewan Research Council; the Department of Science and Technology in Regina; the Department of Economic Development and Trade, in Regina; and the Department of Tourism and Small Business, either in Regina or through the various regional Business Resource Centres.

* Another possible source may be the Corporations Branch of the Department of Consumer and Commercial Affairs who approve the incorporation of all new companies established in the province.

* Liaison with the Business/Industrial Development Officers/Commissioners in the larger centres around the province could result in leads on businesses seeking to establish themselves in those centres.

* Liaison with local and district Chamber of Commerce members who are usually aware of ongoing developments in and around their areas.

4.7 EVALUATION OF POTENTIAL INVESTMENTS

4.7.1 Investment Proposal

Any proposal received from the business community should be in the form of a fully documented financing package similar to what would normally be submitted to a conventional lender. Minimum documentation would comprise the following (depending, of course, on whether the proposed investment is for a new or existing business):

* a brief history of the company.
* a business plan covering marketing, operating and financial planning and overall venture analysis.
* resumes on principals (directors, officers, partners, key employees, etc.).
* statements of net worth from principals.
* copies of relevant leases.
* copies of shareholder of franchise agreements.
* financial statements and annual reports for prior five years or projected cash flows (receipts and disbursements).
* list of capital assets.
* copy of Articles of Incorporation.
* list of directors and officers.
* organizational chart.
* details on applicable trademarks, industrial designs and copyrights.

4.7.2 Project Financial Appraisal

The proposal should be evaluated by the VCC based on conventional project financial appraisal criteria to determine the probability of success and the degree of risk involved. Factors to be considered should include:

i) the growth potential of the proposed ESB. The need for additional financing should be to facilitate expansion, not simply to maintain the status quo. And the rate of growth should be sufficiently high to generate the high rates of returns expected in compensation for the high risk involved.

ii) the willingness of the owner to yield up a portion of the equity (up to 49%) and to allow the VCC to participate in major operational decisions. This requires an assessment of the likely relationship which might develop over the longer term as the "partnership" evolves. The ability and willingness of the principal to answer questions about his company can provide clear indicators to any future working relationship.

iii) a review of the reputation and experience of the investee company by:

* checking credentials/references with customers, suppliers, bankers, and auditors.

* validating/verifying/testing costs, revenue forecasts, markets and assumptions.

* credit ratings on both the company and its principals.

* evaluating the management and technical capabilities of key operating personnel and their contribution/importance to the continued well-being of the company.

* assessing the mix and level of maturation of the company's existing and proposed products/services to ensure that a suitable program has been developed to maintain long-term growth.

* assessing the past performance of both the company and its principals in terms of the present debt position and future ability to service the debt and provide adequate working capital.

4.7.3 Key Success Factors

Essentially, the foregoing boils down to four key success factors:

i) The proposed ESB management must be responsible; possess good business ability; and possess a strong drive to become financially successful.

ii) The business must have a competitive market advantage. This could arise because of the technological advancement of its products; the character of the marketing concept for its products or services; the limited degree of competition within its marketing areas; or the prospect of maintaining or establishing a strong position in its marketing area for its product or service which is similar to other products or services available in the area.

iii) Because of the risk inherent when investing in equity capital, due to its unsecured nature, the business must have growth prospects for the equity that reflect this risk. The rate of return should increase in direct relation to the risk involved. For example, a greater return should be anticipated from an investment in a company that is only at the break-even stage than from one that has an established record of earnings. Similarly, an even greater return should be expected from a start-up situation where profits are unlikely to materialize for one to three years.

iv) The business must have some clear development objective or plan against which one could measure its progress.

4.7.4 Other Considerations

i) All proposals, where possible, should be evaluated in conjunction with other alternatives rather than in isolation.

ii) The VCC investor should avoid specialization in any one industry or business.

iii) VCC's participate in high risk business ventures in the expectation of high future returns. The investment decision necessitates a high degree of business capability by persons having greater entrepreneurial skills than the average small businessman. In addition, the VCC officer responsible for the monitoring of the investment must have a high level of management proficiency.

It follows, therefore, that it is incumbent on the VCC to ensure that the required professional skills are recruited either on staff or as contracted consultants as required. Experienced management is a must!

4.7.5 Documentation

i) Meet with representatives of the potential investee and the Venture Capital Branch to discuss the eligibility of a selected ESB prior to any investment decision.

ii) Prepare and/or submit the following documentation to the Venture Capital Branch, relative to the proposed investment:

* Affidavit of Issuing Small Business (ESB) and attachments as required (see Exhibit 16).

* Affidavit of Investing Corporation (VCC) and attachments as required (see Exhibit 17).

* cheque drawn on the VCC trust account signed by an authorized signing officer(s).

* copy of the share certificate issued if the shares in the small business have been paid in full.

* solicitor's undertaking (included in the Affidavit of the Investing Corporation) if trust funds are to be used as part of the consideration for the shares in the small business.

4.7.6 Approval/Rejection

The Department will respond as follows:

* to the VCC
  - the original copy of a Notice of Ineligibility (see Exhibit 18), or
  - the cheque drawn on the trust account, co-signed by a departmental signing officer, and
  - the original Notification of Approval and Release (see Exhibit 19)
* to the ESB
  - a copy of the Notice of Ineligibility, or
  - a copy of the Notification of Approval and Release

4.7.7 Shareholder's Agreement

i) If the proposed investment is eligible, a shareholder's agreement should be negotiated with the ESB and a copy filed with the Venture Capital Branch. This agreement is necessary to protect both parties and, in particular, the interests of the VCC which will always be in the position of a minority shareholder. Terms will usually provide for:

* a seat on the Board of Directors.
* key man insurance on the principal(s) of the ESB.
* a buy/sell provision between the VCC and other investors. It is usually not possible or desirable to have a pre-negotiated buy-back arrangement with the owner, primarily because he does not want and cannot afford to pay the price the VCC needs to achieve its return. Such provision should specify a predetermined formula (e.g. a number of times earnings).

* right of veto by the VCC over key man salaries and capital expenditures over a certain level.

* monthly/quarterly statements and annual audited statements to be received within 15 days of the end of each month and within 90 days of the year-end respectively.

* pre-emptive rights and anti-dilution provisions for the VCC should additional capital be required. This means that the VCC can protect its investment from shrinkage by virtue of the right to subscribe pro-rata to any new issue of capital stock in order to mantain a fixed percentage ownership.

* the right to force the company to "go public" under certain circumstances e.g. failure to comply with the terms of the shareholder's agreement or mismanagement of the ESB.

* any other rights or constraints mutually agreed to by the parties.

ii) Alternative exit options include:

* A public offering by the ESB in which some or all of the VCC's stock is included.

* A public offering by the VCC of its shares in the ESB.

* A merger of an acquisition by another firm.

N.B. Due to the many legal ramifications, competent legal counsel should be sought in determining the appropriate form of exit financing.

Exhibit 16 1 of 4

Saskatchewan Tourism and Small Business
Venture Capital Program

5th Floor
Bank of Montreal Building
2103 11th Avenue
Regina, Canada
S4P 3V7

Affidavit of Issuing Small Business

In the Matter of the Issue of

_____
(insert number and class of shares)

By: _____
(insert name of issuing corporation)

To: _____
(insert name of Venture Capital Corporation)

I, _____
(print name)

Of, _____
(residence address)

Make Oath and Say That:

1. I am the (describe office held) _____ of (insert name of issuing corporation) _____ (herein referred to as the "issuing corporation") and I have personal knowledge of the facts deposed to.

2. I am not a shareholder, officer or director of a Venture Capital Corporation which has purchased or subscribed for shares of the issuing corporation.

3. (Delete inapplicable paragraph. See instruction on page 4.)

   (a) The Venture Capital Corporation has paid the amount of $_____ as payment in full for the above described shares and on the date of the issue of the shares:

      (i) the issuing corporation had (specify number of employees) _____ employees and corporations affiliated with the issuing corporation had _____ employees;

      (ii) the issuing corporation paid (specify percentage) _____ percent of total wages and salaries in respect of operations in Saskatchewan; and

      (iii) the issuing corporation was primarily engaged in (specify nature of business including products manufactured or processed, type of tourist establishment, or general area of research and development) _____

Exhibit 16

(b) The Venture Capital Corporation has subscribed for the above described shares but has not paid in full the purchase price of $_____ for the shares and as of the date of this affidavit:

(i) the issuing corporation had (specify number of employees) _____ employees and corporations affiliated with the issuing corporation had _____ employees;

(ii) the issuing corporation paid (specify percentage) _____ percent of total wages and salaries in respect of operations in Saskatchewan; and

(iii) the issuing corporation was primarily engaged in (specify nature of business including products manufactured or processed, type of tourist establishment, general area of research and development or any other prescribed activity) _____

_____

To the best of my knowledge and belief, there will be no change in the business and affairs of the issuing corporation from the date of this affidavit to (insert the date set for the final payment on the subscription and the issuance of the shares and such date shall not be later than 14 days after the date of this affidavit) the _____ day of _____, 19____.

4 Attached to this affidavit are the following documents:

(Where any item is inapplicable note "N/A" in the margin. If the item has been attached to a previous affidavit and the information contained in that attachment has not changed, note the date of the affidavit to which the item is attached.)

	Not Applicable	Date of Affidavit to which item is attached
(a) a copy of the articles of incorporation of the issuing corporation and a copy of any articles of amendment	_____	_____
(b) a copy of the current shareholder's register which also indicates which shareholders are non-residents	_____	_____
(c) the most recent financial statements (or pro forma financial statements if appropriate) of the issuing corporation	_____	_____
(d) a listing of the names and the addresses of the registered office of any affiliated corporation and the number of employees of the affiliated corporation	_____	_____
(e) a detailed listing of the uses which will be made of the proceeds of the investment (be as specific as possible. If creditors are to be paid out of the investment proceeds, provice the name and address of the creditors together with the amount of the payments.)	_____	_____
(f) for the twelve month period prior to the date on which the shares have been, or will be, issued provide details of:		
(i) any dividend declared or paid;	_____	_____
(ii) any repayment of a loan by the corporation to a shareholder or an associate of a shareholder or to a person who was a shareholder or an associate of a shareholder at the time of the loan to the corporation;	_____	_____
(iii) any purchase in the previous twelve months of all, or substantially all, of the business assets of any other person, partnership, joint venture or corporation; and	_____	_____
(iv) any change in the stated capital of the corporation.	_____	_____

Exhibit 16

	Not Applicable	Date of Affidavit to which item is attached
(g) a detailed listing (including the name and address of the holder) of all options, rights, warrants, or convertible securities granted or issued by the corporation which would entitle the holder to acquire, now or at a future date, equity shares of the corporation.	_____	_____
(h) a listing of the current directors and officers of the issuing corporation which also indicates the residence and nationality of each of the directors	_____	_____
(i) copies of any Unanimous Shareholders Agreement(s) between the shareholders of the corporation	_____	_____

5. To the best of my knowledge and belief, the issuing corporation, or an associate or affiliated corporation or a shareholder of the issuing corporation, or an associate or affiliated corporation of such shareholder has not provided, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with the purchase of shares of the Venture Capital Corporation named in this affidavit.

Sworn before me

in the _____

of _____

this _____ day

of _____ , 19____ .

_____ _____

A Commissioner, etc Signature

Name of person at the small business who may be contacted with regard to this application

_____
(Print name)

_____ _____
Business Telephone No Home Telephone No

Exhibit 16 4 of 4

Instructions

Employees

A corporation with not more than 75 employees qualifies as a "small business". An "employee" is a person who works a total of twenty hours or more per week and includes a person hired through a temporary help agency. An officer or director of a corporation is not counted as an employee.

Persons who are employed by "affiliated corporations" or companies that would be affiliated but for the shares held by a Venture Capital Corporation are included in the calculation of the number of employees as if the persons were directly employed by the corporation which is issuing shares to a Venture Capital Corporation. Similarly, employees of a company which is participating in a joint venture with the corporation are considered to be employees of that corporation.

The calculation of the number of employees of the corporation is based on a twelve month average starting from the date of the investment by the Venture Capital Corporation. The Minister may deem a corporation to be a small business, if the Minister is satisfied that the corporation will average not more than 75 employees over the twelve month period. The Minister may also deny the status of a "small business" to a corporation if the Minister believes that there has been an artificial reduction in the number of employees for the primary purpose of enabling the corporation to meet the technical requirements of the definition of a "small business"

Reference should be made to section 3 of the Regulations pursuant to The Venture Capital Tax Credit Act for the definition of a "small business"

Prescribed Activities

In order to be able to receive equity investment from a Venture Capital Corporation, a small business must be primarily engaged in any combination of prescribed activities. The following is a brief description of the prescribed activities:

(a) **Manufacturing and processing includes:**

any business activity that involves the production or putting into marketable form of goods or materials by employees of the small business for sale or lease by the small business from raw, unfinished or prepared goods or materials but not including, construction and real estate activities, farming or fishing; primary resource exploration or extraction; and retail, commercial and personal services; is prescribed as manufacturing and processing

(b) **Tourist activities include:**

any business activity that involves the operation and management by the owner of, a commercial attraction or facility, other than accommodation or food service, designed for and used primarily by persons travelling more than 80 kilometres from their ordinary place of residence, and includes facilities incidental and ancillary to those activities

(c) **Research and development activities include:**

any business activity that involves scientific research as defined in the Regulations pursuant to The Venture Capital Tax Credit Act.

(d) any other prescribed business activity approved by the Minister.

Reference should be made to section 9 of the Regulations pursuant to The Venture Capital Tax Credit Act for the full definition of prescribed activities.

Primarily Engaged

A small business is considered to be primarily engaged in a business activity, or combination of prescribed activities, if, at the time of investment by the Venture Capital Corporation, the aggregate of the percentage, expressed as a decimal fraction, of the total assets used in that business activity and the percentage, expressed as a decimal fraction, of the total wages and salaries that are paid with respect to that business activity exceeds the number .50. Reference should be made to Section 10 of the Regulations pursuant to The Venture Capital Tax Credit Act for a full definition of the term "primarily engaged".

Exhibit 17 1 of 4

Saskatchewan Tourism and Small Business
Venture Capital Program

5th Floor
Bank of Montreal Building
2103 11th Avenue
Regina, Canada
S4P 3V7

Affidavit of Investing Venture Capital Corporation

In the Matter of the Purchase of

_____
(insert number and class of shares)

From: _____
(insert name of issuing corporation)

By: _____
(insert name of Venture Capital Corporation)

I, _____
(print name)

Of, _____
(residence address)

Make Oath and Say That:

1. I am the (describe office held) _____ of (insert name of Venture Capital Corporation) _____ the purchaser of the above described shares and I have personal knowledge of the facts deposed to.

2. (Delete inapplicable paragraph, See Instruction 1 on page 4.)

   (a) The Venture Capital Corporation purchased the above described shares on the _____ day of _____, 19_____ for a purchase price of $_____ and the total purchase price has been paid in full by the Venture Capital Corporation and a copy of the share certificate issued to the Venture Capital Corporation is attached to this affidavit.

   (b) The Venture Capital Corporation has subscribed for the above described shares for a total purchase price of $_____. As of the date of this affidavit, the Venture Capital Corporation has paid $_____ to the issuing corporation towards the total purchase price. The date set for the final payment and the issuance of the shares is the _____ day of _____, 19_____. A copy of the share subscription is attached to this affidavit. (A solicitor must provide an undertaking in the form outlined on page 3 to hold as agent for the Department any amount released from the trust account and to apply that amount or any portion thereof only in fulfillment of the purchase price.)

3. Attached to this affidavit are the following documents: (Where any item is inapplicable note "N/A" in the margin. If the item has been attached to a previous affidavit and the information contained in that attachment has not changed, note the date of the affidavit to which the item is attached.)

Exhibit 17

	Not Applicable	Date of Affidavit to which item is attached
(a) a listing of the shares or the option or right to acquire shares of the issuing corporation which are held by a shareholder, officer or director of the Venture Capital Corporation or an associate or affiliated corporation of a shareholder, officer, or director of the Venture Capital Corporation.	_____	_____
(b) a copy of any debt obligation of the issuing corporation held by the Venture Capital Corporation, a shareholder of the Venture Capital Corporation, or an associate of a shareholder of the Venture Capital Corporation.	_____	_____
(c) a listing of the names and addresses of all non-residents who beneficially own, directly or indirectly, or who exercise control or direction over equity shares of the Venture Capital Corporation and the number of equity shares owned, controlled or directed by such non-residents.	_____	_____
(d) a copy of any agreement, or the terms of any verbal agreement, entered into by the issuing corporation or a shareholder of the issuing corporation with the Venture Capital Corporation, a shareholder of the Venture Capital Corporation or any associate thereof.	_____	_____
(e) a listing of the names and addresses of any shareholder of the Venture Capital Corporation or any associate thereof who has provided or intends to provide goods and services to the issuing corporation.	_____	_____

4. Following the acquisition of the shares described in this affidavit, the Venture Capital Corporation will hold _____ percent of the issued and outstanding shares of the issuing corporation as calculated in accordance with subsection 9(3) of The Venture Capital Tax Credit Act and _____ percent of the shares of the issuing corporation as calculated in accordance with clause 11(2)(b) of the Act. (See instruction 2, page 4.)

Sworn before me

in the _____

of _____

this _____ day

of _____ , 19____.

_____

Exhibit 17 3 of 4

Solicitors Undertaking

This will confirm that the undersigned acts as solicitor for _____ (name of Venture Capital Corporation) with respect to the purchase of _____ (number and class of shares) by that corporation from the treasury of _____ (name of issuing Corporation) on the terms and conditions set forth in Paragraph 2(b) of the Affidavit of _____ to which this undertaking is an exhibit.

I understand that the sum of _____ will be released to me from _____ (name of trustee) in accordance with the provisions of The Venture Capital Tax Credit Act, and that I may not release those funds unless the payment from the trust account results in the above described shares of the issuing corporation being fully paid and issued to the Venture Capital Corporation.

I therefore undertake and agree to apply the entire amount released to me towards the purchase price of the aforesaid shares, and to no other purpose. If for any reason I cannot so apply the funds, or if there is any change in the transaction described in Paragraph 2(b) of the Affidavit aforesaid, I shall forthwith notify the Department of Tourism and Small Business and shall deposit the funds in the trust account from which they were released.

I further undertake to provide the Department of Tourism and Small Business with a ledger statement showing the receipt and disbursal of funds on account of the purchase of shares aforesaid, together with a true copy of the share certificates received by the Venture Capital Corporation showing all of the shares duly registered in its name.

Dated at the City of _____ in the Province of Saskatchewan this _____ day of _____ A.D. _____.

_____
A Practising Solicitor

Exhibit 17 4 of 4

Instructions

1. Every Venture Capital Corporation is required to deposit to a trust account an amount equal to 30 percent of all equity capital raised by the Venture Capital Corporation. The Minister of Tourism and Small Business may permit payment from the trust account of an amount equal to three-sevenths of the purchase price paid by the Venture Capital Corporation to acquire any eligible investment, provided that the Minister is satisfied that the purchase price of such eligible investment has been paid in full in money or that the amount permitted to be paid out by the Minister will be used by the corporation in payment of the purchase price of the eligible investment.

   If the Venture Capital Corporation has paid in full for the shares described in the affidavit, paragraph 2(a) should be completed and a copy of the share certificate issued to the Venture Capital Corporation is to be attached to the affidavit. The executed affidavit of the Venture Capital Corporation, the executed affidavit of the issuing corporation and a cheque drawn on the trust account should be forwarded to the Department. If the documentation is in order, the Department will counter-sign the cheque and return it to the Venture Capital Corporation.

   If the Venture Capital Corporation will use the funds released from the trust account to complete the purchase of the shares, paragraph 2(b) should be completed. A closing date for the purchase should be established which ideally is at least seven days after the date the documentation has been submitted to the Department of Tourism and Small Business. The executed affidavit of the Venture Capital Corporation must be accompanied by an executed affidavit of the issuing corporation, an undertaking from a solicitor in the form outlined on page 2, and a cheque drawn on the trust account. If the documentation is in order, the Department will counter-sign the cheque and forward the cheque to the solicitor to hold pending the closing of the transaction. (If the share purchase is not completed, the solicitor will return the cheque to the Department of Tourism and Small Business.)

2. The Venture Capital Tax Credit Act provides that where any share carries the right to more than one vote the number of equity shares shall be calculated to be equal to the total number of votes.

   In calculating the percentage of shares held by the Venture Capital Corporation in a small business, all shares of the small business owned by a shareholder, associate, or affiliated corporation of the Venture Capital Corporation or by an associate or affiliated corporation of a shareholder of the Venture Capital Corporation are treated as if the shares were actually owned by the Venture Capital Corporation.

   For the calculation under subsection 9(3) of the Act, all equity shares of the issuing corporation that may be obtained on the conversion of a debt obligation or a share or on the exercise of any option or right are deemed to be issued and outstanding equity shares. (The inclusion of such rights to shares prevents a V.C.C. from being in a position to acquire future control of the small business.)

   For the calculation under clause 11(2)(b) of the Act, only those shares which are actually issued and outstanding are used in the calculation. (This provision prevents a V.C.C. from owning a control position in the small business at the present time.)

Exhibit 18

NOTICE OF INELIGIBILITY

_____ has been determined to be an ineligible investment by a Venture Capital Corporation pursuant to The Venture Capital Tax Credit Act for the following reason(s):

_____
Director

Exhibit 19

Saskatchewan

Saskatchewan
Tourism and
Small Business

Bank of Montreal Building
2103 11th Avenue
Regina Canada
S4P 3V7

(306) 565-2232
Telex 071-2675

To the Trustee:

Re: Account _____ held in trust for

_____ and the

Department of Tourism and Small Business--jointly.

The investment in _____

by _____ _____ has been

determined to be an eligible investment by a Venture

Capital Corporation.

Pursuant to Section 8(1) of The Venture Capital Tax Credit

Act, authorization to pay out _____ to

_____ from the above-mentioned

trust account is hereby granted.

4.8 MONITORING THE INVESTMENT

4.8.1 Responsibility

i) For the VCC, monitoring the investment is perhaps the most important part of the investment decision. While the shareholder agreement may stipulate the rights of the VCC as a minority shareholder, the required involvement by the VCC goes well beyond the activities normally associated with such a shareholder. A great deal of subtlety and tact is required of the person assigned to monitor the investment.

ii) The VCC should designate an official to represent it either as a Director of the Board or as an intermediary who will become involved in ongoing operational activities and major decisioning of the ESB. This individual should also fulfill the obligation under the VCC's Articles of Incorporation to provide business and managerial expertise to the ESB.

4.8.2 Methodology

i) Regular meetings should be scheduled with the ESB management at which financial statements and cash flow predictions would be reviewed. Key variables should be identified against which any deviations from planned/forecasted activities should be investigated and explained. Such explanations should be the basis for corrective action and reassessment of planned results.

ii) Effective monitoring is really an extension of the business plan concept. It is essentially a planning function where management details, in very basic terms, what will be accomplished tomorrow, next week, next month, and so on; how this fits into the overall corporate objectives and business strategy of the company; and what resources are necessary to accomplish each of these goals.

It is then possible from this approach to establish bench marks or milestones that can be converted into financial terms. The most important of these would be a projected cash flow broken down by months with a comparison of results actually achieved. Regular timely operating statements and trial balances are also a must.

When things go wrong, hopefully this approach will sound the alarm in time and provide a basis for action by revealing the answers to the following questions:

* Was the concept or original premise correct?
* Has a basic change in technology or business conditions forced a re-thinking of the concept?
* Will more money solve the problem?
* Was management wrong?
* Did management stay with the plan?

4.8.3 Material Changes

i) Monitor the investment for any material changes which might affect its continuing eligibility. A "material change" will occur if a company in which the VCC has invested:

* ceases to have less than 150 employees (calculated as the average number of employees over a 12-month period)
* ceases to pay 75% of its wages and salaries in respect of operations in Saskatchewan
* ceases to be primarily engaged in:
  - manufacturing and processing
  - tourism
  - research and development
  - other approved activity in a community of less than 5,000 residents

* uses the funds received on the investment from the VCC for:

  - re-lending
  - investment in real estate, other than that ancillary to principal objects of the small business
  - re-investment outside Canada
  - purchasing or acquiring securities of any person
  - a purpose prescribed by regulation

* becomes more than 49% owned by the VCC and any affiliated corporations of the VCC

* becomes more than 49% owned by two or more VCC's

* receives more than $5,000,000 in investment from VCC's

* becomes more than 25% owned by non-residents of Canada or more than 10% by any one non-resident

ii) In the event of such a material change, the VCC is obliged to notify the Venture Capital Branch accordingly on form "Notification of Material Change in Investments" (see Exhibit 20), in accordance with Section 12 of The Venture Capital Tax Credit Act which stipulates as follows:

12(1) For the purposes of this section, a material change occurs if the investment of a VCC ceases to be an eligible investment.

12(2) A VCC shall notify the Minister in the prescribed form of any material change in any of its eligible investments within 30 days of the date of the material change.

12(3) Where there is a material change, the investment by a VCC continues as an eligible investment, notwithstanding any other provision of this Act, for a period of two years from the date of the material change or any other period of time as the Minister may allow either in general terms or with respect to one or more specific cases.

12(4) Subsection (3) does not apply where the material change results in shares of an approved ESB being acquired by a party who does not meet the arms-length requirements of The Venture Capital Tax Credit Act. In such cases, the VCC must immediately dispose of the investment.

12(5) Where a material change occurs only because an approved ESB temporarily exceeds the permitted limit of 150 employees, the change is not deemed to have occurred until such time as the number of employees, averaged over a twelve-month period, permanently exceeds 150.

12(6) Where a material change as described in subsection (5) above occurs, the investment by a VCC remains an eligible investment for a period of five years from the date on which the material change is deemed to have occurred.

iii) In accordance with Section 7 of The Venture Capital Tax Credit Act, the VCC is obliged to monitor the accumulated total of investments to ensure that the required minimum 40% and 70% investment levels are met by the end of the 18-month and 30-month periods respectively.

Exhibit 20 1 of 2

Saskatchewan Tourism and Small Business
Venture Capital Program

5th Floor
Bank of Montreal Building
2103 11th Avenue
Regina, Canada
S4P 3V7

Notification of Material Change in Investments

Registration Number

Name of Venture Capital Corporation | Telephone Number

Street Number and Name

City, Town, Village | Province | Postal Code

Name of Small Business | Telephone Number

Street Number and Name | Province | Postal Code

City, Town, Village

Classes of Shares Held	Number of Shares Held	Consideration Paid for Shares Held
		$

Date of Material Change

Year	Month	Day

Describe the Material Change

Note: A Material Change occurs if the corporation in which the investment is made ceases to be a small business or no longer meets the other requirements of an eligible investment under section 9 of The Venture Capital Tax Credit Act. This Notice must be filed within 30 days following the Material Change. See the reverse side of this form for the provisions of the Act regarding a Material Change.

The Minister of Tourism and Small Business may verify all statements contained in this notification. We understand that it is an offence to make a false or misleading statement in a notification.

Certification

In submitting this Notification of Material Change in Investments, we certify that all statements made in this notification are true and correct.

Signature of Director or Officer.

Exhibit 20 2 of 2

Section 12 of The Venture Capital Tax Credit Act reads as follows:

(1) For the purposes of this section, a material change occurs if the investment of a venture capital corporation ceases to be an eligible investment.

(2) A venture capital corporation shall notify the Minister in the prescribed form of any material change in any of its eligible investments within 30 days of the date of the material change.

(3) Where there is a material change, the investment by a venture capital corporation remains an eligible investment, notwithstanding any other provision of this Act, for a period of two years from the date of the material change or any other period of time as the Minister may allow either in general terms or with respect to one or more specific cases.

(4) Notwithstanding subsection (3), where as a result of a material change, an investment becomes an ineligible investment pursuant to clause 11(2)(a), the venture capital corporation shall immediately dispose of the investment.

(5) Notwithstanding subsection (3), where a material change occurs by reason only of a small business exceeding the prescribed number of employees, the material change is deemed not to have occurred until the small business and its affiliated corporations have more than the prescribed number of permitted employees determined in the prescribed manner.

(6) Notwithstanding any other provisions of this Act, where a material change described in subsection (5) occurs, the investment by a venture capital corporation remains an eligible investment for a period of five years from the date of the material change.

General Explanation:

A material change in any equity investment will occur if the company in which the venture capital corporation invested:

- ceases to have less than 150 employees (calculated as the average number of employees over a 12 month period);
- ceases to pay 75% of its wages and salaries in respect of operations in Saskatchewan;
- ceases to be primarily engaged in any combination of
  - manufacturing and processing;
  - tourism;
  - research and development;
  - or any other prescribed business activity approved by the Minister
- uses the funds received on the investment from the Venture Capital Corporation for
  - relending,
  - investment in real property, except any real property that is incidental and ancillary to the principal objects of the small business,
  - reinvestment outside Canada,
  - purchasing or acquiring securities of any person,
  - a purpose prescribed by regulation;
- becomes more than 49% owned by the Venture Capital Corporation, its shareholders and associates of its shareholders;
- becomes more than 49% owned by two or more Venture Capital Corporations, their shareholders or associates of their shareholders;
- receives more than $5,000,000 in investment from Venture Capital Corporations; or
- becomes more than 25% owned by non-residents of Canada or more than 10% by any one non-resident.

4.9 REPORTING REQUIREMENTS

4.9.1 Annual Reports

i) Section 15(1) of The Venture Capital Tax Credit Act requires that the VCC file an annual report with the Department of Tourism and Small Business within 90 days after each anniversary of its registration (see Exhibit 21 attached).

ii) Annual returns are also to be made to the Department of Consumer and Commercial Affairs, Corporations Branch.

4.9.2 Financial Statements

Section 14 of The Venture Capital Tax Credit Act requires each VCC to file with the Department its financial statements and auditor's report on those statements within 6 months following each fiscal year end.

4.9.3 Notification of Proposed Corporate Action

Section 15(2) of The Venture Capital Tax Credit Act requires that the VCC complete and file with the Department, a Notification of Proposed Corporate Action (see Exhibit 22) at least 21 days prior to carrying out any of the following types of action:

* the payment of any dividend on the equity shares of the VCC
* the purchase, surrender, redemption or conversion of any equity share of the VCC
* the disposition of any eligible investment
* the winding up or dissolution of the VCC

4.9.4 Audits

The Department must be notified of any changes in a Trust Account.

In addition to the above, the Department will:

* conduct audits of both VCC's and ESB's to ensure compliance with the nature and intent of The Venture Capital Tax Credit Act, and
* request ESB's to file information returns

Exhibit 21

Saskatchewan Tourism and Small Business

5th Floor
Bank of Montreal Building
2103 11th Avenue
Regina, Canada
S4P 3V7

Venture Capital Program
Annual Return

Venture Capital Corporation

VCC Registration Number	
Corporation Tax Number of VCC	
Date of Registration	Anniversary Date

An Annual Return must be filed with the Department of Tourism and Small Business within 90 days after each anniversary of the date of registration.

Name of Venture Capital Corporation

Head Office Location in Saskatchewan — Street Number and Name

City, Town, Village | Province: Saskatchewan | Postal Code

Mailing Address (if different from above)

City, Town, Village | Province | Postal Code

Person to Contact

Telephone Number ( )

The Venture Capital Corporation must complete:
(1) the attached Schedule A which asks for details of all investments made by this venture capital corporation; and
(2) the following Questionnaire (and for each question answered "Yes" a Schedule, List or Copy must be provided).

Questionnaire

In the twelve month period immediately preceding the anniversary date of registration has there been any change —	No	Yes	If "Yes" complete as specified below:
1. in capital structure?	☐	☐	Schedule B
2. in directors or officers?	☐	☐	Schedule C
3. in the identity of affiliated corporations? (If so, provide the name and address of each affiliate)	☐	☐	List
4. in shareholders? (If so, provide either a copy of the shareholder's register or a list of shareholders, their addresses and holdings).	☐	☐	Copy/List
5. in the Articles of Incorporation? (If so, provide a certified copy of any Amendment to the Articles).	☐	☐	Copy

The Minister of Tourism and Small Business may verify all statements contained in this Annual Return. I understand that it is an offence to make a false or misleading statement in a return.

Certification

In submitting this Annual Return, I certify that:
I am an authorized signing officer of the Venture Capital Corporation. All Statements made in this Return are true and correct as of the anniversary date of registration of the Venture Capital Corporation.

Date

Director or Officer

Department Use Only

Exhibit 21 2 of 4

Schedule A

List of all Investments held at any time during the previous year

Eligible Investments

Eligible Small Business		Class of Shares Held	Number of Shares	Number of Votes Per Share
Date of Acquisition	Purchase Price	Date of Disposition or Ineligibility	Proceeds of Disposition	Net Gain/Loss
Eligible Small Business		Class of Shares Held	Number of Shares	Number of Votes Per Share
Date of Acquisition	Purchase Price	Date of Disposition or Ineligibility	Proceeds of Disposition	Net Gain/Loss
Eligible Small Business		Class of Shares Held	Number of Shares	Number of Votes Per Share
Date of Acquisition	Purchase Price	Date of Disposition or Ineligibility	Proceeds of Disposition	Net Gain/Loss
Eligible Small Business		Class of Shares Held	Number of Shares	Number of Votes Per Share
Date of Acquisition	Purchase Price	Date of Disposition or Ineligibility	Proceeds of Disposition	Net Gain/Loss
Eligible Small Business		Class of Shares Held	Number of Shares	Number of Votes Per Share
Date of Acquisition	Purchase Price	Date of Disposition or Ineligibility	Proceeds of Disposition	Net Gain/Loss
Eligible Small Business		Class of Shares Held	Number of Shares	Number of Votes Per Share
Date of Acquisition	Purchase Price	Date of Disposition or Ineligibility	Proceeds of Disposition	Net Gain/Loss

Former Eligible Investments

Small Business or Former Small Business		Class of Shares Held	Number of Shares	Number of Votes Per Share
Date Investment Became Ineligible	Purchase Price	Date of Disposition or Date Investment Regained Eligibility		
Small Business or Former Small Business		Class of Shares Held	Number of Shares	Number of Votes Per Share
Date Investment Became Ineligible	Purchase Price	Date of Disposition or Date Investment Regained Eligibility		
Small Business or Former Small Business		Class of Shares Held	Number of Shares	Number of Votes Per Share
Date Investment Became Ineligible	Purchase Price	Date of Disposition or Date Investment Regained Eligibility		

Debt Obligations

Small Business			Nature of Debt Obligation
Terms of Repayment	Date of Acquisition	Total Amount of Obligation	Date of Disposition
Small Business			Nature of Debt Obligation
Terms of Repayment	Date of Acquisition	Total Amount of Obligation	Date of Disposition
Small Business			Nature of Debt Obligation
Terms of Repayment	Date of Acquisition	Total Amount of Obligation	Date of Disposition

Exhibit 21 3 of 4

Schedule B

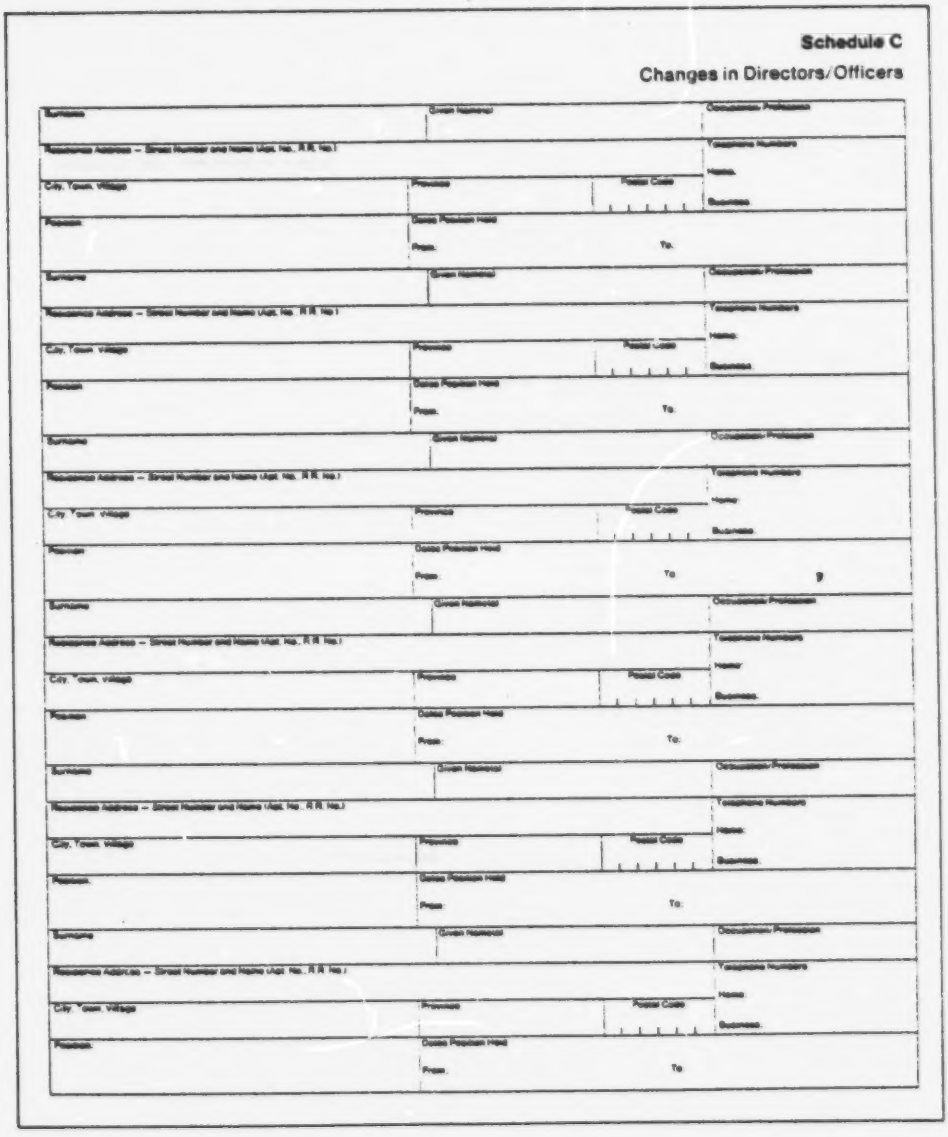
Changes in Capital Structure

Class of Shares	Number of Votes Per Share	Date of Change	Change (Issue redemption, purchase conversion or surrender)	Number of Shares Involved	Consideration Received or Paid

Percentage of Equity Shares owned, controlled or directed by Non-Residents %

Comments

Exhibit 21



Schedule C

Changes in Directors/Officers

Surname	Given Name(s)	Occupation/Profession
Residence Address – Street Number and Name (Apt. No., R.R. No.)		Telephone Numbers
City, Town, Village	Province / Postal Code	Home / Business
Position	Dates Position Held: From / To	
Surname	Given Name(s)	Occupation/Profession
Residence Address – Street Number and Name (Apt. No., R.R. No.)		Telephone Numbers
City, Town, Village	Province / Postal Code	Home / Business
Position	Dates Position Held: From / To	
Surname	Given Name(s)	Occupation/Profession
Residence Address – Street Number and Name (Apt. No., R.R. No.)		Telephone Numbers
City, Town, Village	Province / Postal Code	Home / Business
Position	Dates Position Held: From / To	
Surname	Given Name(s)	Occupation/Profession
Residence Address – Street Number and Name (Apt. No., R.R. No.)		Telephone Numbers
City, Town, Village	Province / Postal Code	Home / Business
Position	Dates Position Held: From / To	
Surname	Given Name(s)	Occupation/Profession
Residence Address – Street Number and Name (Apt. No., R.R. No.)		Telephone Numbers
City, Town, Village	Province / Postal Code	Home / Business
Position	Dates Position Held: From / To	

Exhibit 22

Saskatchewan Tourism and Small Business
Venture Capital Program

5th Floor
Bank of Montreal Building
2103 11th Avenue
Regina, Canada
S4P 3V7

Notification of Proposed Corporate Action

Registration Number

Name of Venture Capital Corporation | Telephone Number

Street Number and Name

City, Town, Village | Province | Postal Code

Proposed Articles of Amendment

Attach to this Notification a copy of the resolution of the directors which proposes to amend the Articles of Incorporation of The Venture Capital Corporation

This resolution has been or will be submitted to the shareholders at a meeting called for the _____ day of _____, 19____

Activity Involving Equity Shares of The Venture Capital Corporation (Purchase or Redemption by V.C.C. or Surrender or Conversion by Shareholder)

Description of Activity (Please give full details)	Proposed Date of Activity: Year	Month	Day

Class of Shares Involved	Number of Shares Involved	Initial Issue Price/Share	Current Purchase Price/Share
		$	$

Disposition or Sale of Any Eligible Investment

Name of Investment

Shares Held: Class	Number	Shares to be Disposed of: Class	Number	Proposed Date of Disposition: Year	Month	Day	Consideration to be Received
							$

Winding Up/Dissolution of the Corporation

Describe the circumstances of The Winding Up/Dissolution	Proposed Date of Wind Up: Year	Month	Day

Amount of money left in the Trust Fund under section 8 of The Venture Capital Tax Credit Act (if no money remains, enter "nil") $_____

The Minister of Tourism and Small Business may verify all statements made in this notification. We understand that it is an offence to make a false or misleading statement in a notification.

Certification

In submitting this Notification of Proposed Corporate Action in accordance with section 15 of The Venture Capital Tax Credit Act, we certify that all statements made in this notification are true and correct.

_____
Signature of Director or Officer

_____
Date

_____
Name of Director or Officer (please print)

4.10 DE-REGISTRATION

4.10.1 Applicability

De-registration occurs where the VCC's registration is revoked as a result of violation of The Venture Capital Tax Credit Act or Regulations or where the VCC proposes to wind up or dissolve.

4.10.2 Notification/Appeal

In the case of revocation, the VCC will receive a "Notice of Proposal of Revocation of Registration" (see Exhibit 23).

In order to appeal the revocation, a notice of objection, on the VCC's letterhead, in duplicate, must be lodged with the Department within 60 days. Otherwise, the decision is final and not subject to appeal.

4.10.3 Action Required

Under either method of de-registration, the VCC is obliged to take the following action:

* pay to the Crown an amount equal to 30% of the value of all its shareholders' equity to a maximum of the aggregate of the grants or tax credits made or allowed by the Minister in respect of all shares issued and outstanding by the time of revocation, winding up or dissolution, calculated in the prescribed manner; i.e. a payback of the incentive.

* where such de-registration is due to failure to comply with subsection 7(1) or (3) of The Venture Capital Tax Credit Act, an additional amount is payable to the Crown. This amount is equal of the interest earned on all monies paid into the Trust Account established by the VCC in accordance with Section 8, and not paid out in accordance with subsection 8(3) from the date of registration of the VCC pursuant to the Act.

4.10.4 Residual Liability

Any established liability is recoverable from the Trust Account, funds permitting. Any remainder is recoverable from the VCC under Section 22 of The Venture Capital Tax Credit Act by the servicing of a "Notice of Demand" by the Department. Such recoveries rank ahead of shareholder's claims against the VCC.

Exhibit 23

NOTIFICATION OF PROPOSAL OF REVOCATION OF REGISTRATION

Date: _____

VCC Name: _____

Registration Number: _____

Revocation of registration pursuant to The Venture Capital Tax Credit Act of the above VCC is proposed for the following reason(s):

If a Notice of Objection has not been received from the VCC, in duplicate, by Registered Mail, within 60 days, the proposed revocation will be carried out.

_____ _____

Director Date

V. INDUSTRY AND PROVINCIAL GOVERNMENT CONTACTS

Department of Tourism and Small Business
Venture Capital Branch
Bank of Montreal Building - 5th Floor
2103 - 11th Avenue
REGINA, Saskatchewan
S4P 3V7

Albert Dalton	-	Director	565-3524
Tony Koschinsky	-	Solicitor	565-3525
Jim Zatulsky	-	Financial Consultant	565-3526

Department of Consumer and Commercial Affairs
Corporations Branch
1871 Smith Street
REGINA, Saskatchewan
S4P 3V6 565-2962

Saskatchewan Securities Commission
8th Floor, T.D. Bank Building
1914 Hamilton Street
REGINA, Saskatchewan
S4P 3V7 565-5645

Association of Canadian Venture Capital Corporations
Mr. R.D.D. Forbes,
Vice President and Chairman
Membership Committee
c/o Royal Bank Venture Capital Limited
13th Floor, South Tower
Royal Bank Plaza
TORONTO, Ontario
M5J 2J5

Department of Tourism and Small Business

Regional Services Branch
Business Resource Centres:

Regina	565-2207
Saskatoon	664-5750
Prince Albert	922-2275
Swift Current	773-7283
Estevan	634-6474
Moose Jaw	692-1876
Yorkton	783-9747
North Battleford	445-4424
Tisdale	873-2663

Northern Business
Development Branch:

La Ronge	425-4294
Creighton	687-3403
Buffalo Narrows	235-4441

VI. SUMMARY OF EXHIBITS

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VII. GLOSSARY OF TERMS

ARM'S LENGTH	:	dealing with, or as though dealing with independent, unrelated persons; competitive; involving no favouritism.
BUY-BACK	:	an arrangement whereby the owner may buy-back a minority interest either at a pre-negotiated price or at market price.
BUY-OUT	:	the acquisition of total ownership of an existing company by purchase of all capital stock or a majority holding.
BUY-SELL AGREEMENT	:	an agreement between a venture investor and other investors to buy or sell respective interests among themselves under specified terms and conditions.
BYLAWS	:	in a Corporation, the rules adopted by stockholders setting forth the general method by which the corporate functions are to be carried on.
CANADIAN-CONTROLLED	:	51% ownership by a Canadian resident individual or a company, 51% of whose shares are owned by Canadian residents.
CAPITAL GAIN	:	the excess of proceeds realized from the sale of an asset over its book value.
EQUITY	:	an interest in a business by a creditor, part owner, proprietor or stockholder.
EQUITY FINANCING	:	the sale of capital stock by a corporation for cash or things of value.
EXCHANGE	:	a market for a commodity; in this case a stock exchange.
INCORPORATION	:	the registration of a company as a legal corporate entity under a provincial or federal Business Corporations Act.
ELIGIBLE SMALL BUSINESS	:	a business in which a VCC takes an equity, or ownership, position.
INVESTMENT	:	an expenditure to acquire an interest in property - real or personal, tangible or intangible - yielding income or services.

VII. GLOSSARY OF TERMS (cont'd)

JOINT VENTURE	:	a commercial undertaking by two or more independent parties to accomplish a single objective.
PRE-EMPTIVE RIGHTS	:	privilege accorded an existing shareholder under common law to subscribe for his pro-rata share of any new capital stock to be issued by a corporation.
PROSPECTUS	:	any written offer to sell a security in which representations, often implied, as to the qualities of the security are made by the seller.
PUBLIC OFFERING	:	a sale of securities to the general public.
RETURN	:	earnings of an investment.
RISK	:	the chance, or degree of probability, of loss.
TRUST ACCOUNT	:	a fund held by one party (the Trustee) for the benefit of another, pursuant to the provisions of a formal trust agreement.
VOTING RIGHTS	:	rights attached to the ownership of shares by company stockholders which permits them to participate in decision-making at stockholders' meetings.

VIII. BIBLIOGRAPHY

1. George Fells, "Venture Capital in Canada - A Ten-Year Review", Business Quarterly, Spring, 1984

2. Ernst & Whinney, "Characteristics of Successful Companies Financed by Canadian Venture Capital Sources", The Association of Canadian Venture Capital Companies, Toronto, May, 1984

3. Albert Gadbois and Russell M. Knight, "The 1980's: Ascending Years for Venture Capital", submitted for publication to the Journal of Small Business, Canada, Spring, 1984.

4. John Partridge, "Venture Capital: Who's Got It, How to Get It, And What They Want For It", Canadian Business, June 1983

5. Brian Marshall and Robert Forbes, "Venture Capital Financing of New Technologies:, Business Quarterly, Winter, 1983

6. Cecil R. Dipchand, "Venture Capital for "Grass-Roots" Small Businesses - A Comparison of Provincial Legislation:, Cost & Management, Society of Management Accountants of Canada, January - February, 1981

7. Ernst & Whinney, "Capital Formation Survey", for the Association of Canadian Venture Capital Companies, Toronto, 1980

N.B. Copies of these materials are available through the Business Information Centre, Business Information and Research Branch, Department of Tourism and Small Business, Regina ((306) 566-9557).

IX. THE VENTURE CAPITAL TAX CREDIT ACT AND REGULATIONS

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9.1	The Venture Capital Tax Credit Act	99
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BILL

No. of 1983-84

An Act respecting Venture Capital Corporations

(Assented to 1984)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows:

SHORT TITLE AND INTERPRETATION

1 This Act may be cited as *The Venture Capital Tax Credit Act*. Short title

2(1) In this Act: Interpretation

(a) "associate", where used to indicate a relationship with any person, means: "associate"

(i) any corporation of which that person beneficially owns, directly or indirectly, equity shares carrying more than 10% of the voting rights attached to all equity shares of the corporation for the time being outstanding;

(ii) any partner of that person;

(iii) any trust or estate in which that person has, in the opinion of the minister, a substantial beneficial interest or as to which that person serves as trustee or in a similar capacity;

(iv) any spouse, parent, grandparent, child, grandchild, brother or sister of that person; or

(v) any parent, grandparent, child, grandchild, brother or sister of the spouse of that person;

(b) "corporation" means any body corporate, whether or not it is a corporation to which *The Business Corporations Act* applies; "corporation"

(c) "Crown" means Her Majesty the Queen in right of Saskatchewan; "Crown"

(d) "debt obligation" means a mortgage, bond, debenture, note or other similar obligation of a corporation, whether secured or unsecured; "debt obligation"

(e) "department" means the department over which the minister presides; "department"

VENTURE CAPITAL TAX CREDIT

"eligible investment" (f) "eligible investment" means an investment in a small business that complies with section 9;

"equity capital" (g) "equity capital" means the amount of consideration paid in money, calculated in the prescribed manner, for which equity shares are issued;

"equity share" (h) "equity share" means any share of any class of shares of a corporation carrying voting rights under all circumstances and any share of any class of shares carrying voting rights in circumstances that have occurred and are continuing;

"minister" (i) "minister" means the member of the Executive Council to whom for the time being the administration of this Act is assigned;

"person" (j) "person" means an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative and includes a corporation trustee or administrator of a pension or superannuation fund;

"prescribed" (k) "prescribed" means prescribed in the regulations;

"register" (l) "register" means the register kept pursuant to this Act;

"security" (m) "security" means any share of any class of shares or any debt obligation of a corporation;

"small business" (n) "small business" means a small business as defined in the regulations;

"tax credit" (o) "tax credit" means a deduction from tax otherwise payable in accordance with section 8.3 of *The Income Tax Act*;

"tax otherwise payable" (p) "tax otherwise payable" means:

(i) for an individual residing in Saskatchewan on the last day of the taxation year, tax that is otherwise payable pursuant to sections 3, 4 and 5 of *The Income Tax Act*; and

(ii) for a corporation residing in Saskatchewan on the last day of the taxation year, tax that is otherwise payable pursuant to sections 6, 7 and 8 of *The Income Tax Act*;

"venture capital corporation" (q) "venture capital corporation" means a corporation registered pursuant to this Act.

(2) A corporation is deemed to be a subsidiary of another corporation if:

(a) it is controlled by:

(i) that other corporation;

(ii) that other corporation and one or more corporations each of which is controlled by that other corporation; or

(iii) two or more corporations each of which is controlled by that other corporation; or

(b) it is a subsidiary of a corporation that is that other's subsidiary.

(3) A corporation is deemed to be another's holding corporation if that other corporation is its subsidiary.

(4) One corporation is deemed to be affiliated with another corporation if:

(a) one of them is the subsidiary of the other;

(b) both are subsidiaries of the same corporation; or

(c) each of them is controlled by the same person.

(5) Unless otherwise prescribed, a corporation is deemed to be controlled by another person or corporation or by two or more corporations if:

(a) shares of the first-mentioned corporation carrying more than 50% of the votes for the election of directors are held, other than by way of security only, by or for the benefit of those other persons or by or for the benefit of those other corporations; and

(b) the votes carried by the shares mentioned in clause (a) are sufficient if exercised to elect a majority of the board of directors of the first-mentioned corporation.

(6) In calculating, for the purposes of this Act, the total number of equity shares of a corporation beneficially owned or controlled:

(a) the total number of equity shares is required to be calculated as the total of all equity shares actually owned or controlled; and

(b) where an equity share carries the right to more than one vote, each vote carried by the equity share is deemed to be as an equity share.

(7) In determining, for the purpose of this Act, the number of shareholders of a corporation, two or more persons holding the same shares or shares jointly are required to be counted as one shareholder.

(8) For the purpose of determining whether or not a corporation is a small business, the number of employees of any affiliated corporation are required to be taken into account.

VENTURE CAPITAL TAX CREDIT

REGISTER

Register

3(1) The minister shall maintain a register of venture capital corporations in which he shall list all corporations registered pursuant to this Act.

(2) The register shall be made available by the minister for public inspection during normal office hours of the department.

Registration

4(1) A corporation incorporated pursuant to *The Business Corporations Act* may apply to be registered as a venture capital corporation pursuant to this Act by delivering to the minister an application in duplicate.

(2) An application mentioned in subsection (1) is required to:

(a) set out:

(i) the name of the corporation;

(ii) the location of its head office in Saskatchewan;

(iii) prescribed particulars of its capital, share structure, directors, officers and debt obligations, if any; and

(iv) any other prescribed matters respecting the corporation; and

(b) be accompanied by a certified copy of the corporation's articles of incorporation.

(3) The application is required to be:

(a) signed by two officers or one director and one officer of the corporation; and

(b) certified by affidavit of one of the officers or directors signing the application.

Conditions of registration

5 The minister shall not register a corporation pursuant to this Act unless he is satisfied that:

(a) the corporation is complying with all provisions of *The Business Corporations Act*;

(b) the corporation has never previously carried on business;

(c) the corporation's equity shares may be issued:

(i) in the case of a corporation to which subclause (ii) does not apply, for an aggregate consideration of not less than $100,000 and not more than $5,000,000;

(ii) in the case of a corporation which, by its articles of incorporation, has the power only to invest in a small business primarily engaged in business in any urban, rural or northern municipality, other than a city having

a population in excess of 5,000 residents, for an aggregate consideration of not less than $25,000 and not more than $5,000,000;

or any other minimum or maximum aggregate amount of consideration that may be prescribed for any corporation or class of corporations to which the corporation belongs;

(d) the corporation has equity capital in an amount that is not less than the minimum aggregate consideration for which its equity shares are, by clause (c), required to be issued;

(e) the businesses that the corporation may carry on are restricted by its articles of incorporation to assisting the development of small businesses by:

(i) providing capital through the acquisition and holding of securities; and

(ii) providing business and managerial expertise to small businesses;

(f) the corporation has appointed a trustee acceptable to him to administer the trust fund required pursuant to section 8; and

(g) the corporation meets any other prescribed conditions.

Entitlement to registration

6(1) Subject to subsection (2), where a corporation:

(a) complies with sections 4 and 5 and the regulations; and

(b) files with the minister all the material required by this Act and the regulations;

the corporation is entitled to be registered pursuant to this Act.

(2) Subject to section 23, the minister may:

(a) refuse to register a corporation where in his opinion the applicant is not entitled to registration pursuant to subsection (1); and

(b) revoke a registration where the venture capital corporation fails to comply with any provision of this Act or the regulations.

(3) Where, in the minister's opinion, the number of corporations registered pursuant to this Act will be sufficient to take up the prescribed amount of money that is payable by way of grant or foregone by way of tax credit pursuant to section 17, the minister may, subject to the approval of the Lieutenant Governor in Council, by order, suspend:

(a) the further registration of corporations; or

(b) the payment of grants and the allowance of tax credits;

pursuant to this Act for any period of time that he may specify in the order.

(4) No order made pursuant to subsection (3) operates:

(a) to prevent the minister from making a grant or credit where the shares were fully paid for and beneficially owned by the shareholder prior to the making of the order; or

(b) to prevent the carrying forward of a tax credit pursuant to section 19.

(5) Where the minister registers a corporation pursuant to this Act, he shall:

(a) notify the corporation of the day, month and year of its registration;

(b) file one of the duplicates of the application in his office; and

(c) place the name of the corporation in the register.

Minimum capital and investment

7(1) On becoming registered pursuant to this Act, a venture capital corporation shall at all times maintain its equity capital in the amount that it is required to have pursuant to clause 5(d) for the purpose of registration pursuant to this Act.

(2) Prior to the end of the first 18 months of its registration pursuant to this Act, a venture capital corporation shall have at least 40% of the amount of its equity capital invested in eligible investments.

(3) Prior to the end of the first 30 months of its registration pursuant to this Act, a venture capital corporation shall have invested at least 70% of its equity capital in eligible investments.

(4) During the period subsequent to the first 30 months of its registration pursuant to this Act, a venture capital corporation shall maintain an average of at least 70% of its equity capital in eligible investments calculated in the prescribed manner.

Trust fund

8(1) A venture capital corporation shall set aside in a trust fund an amount of money equal to 30% of all amounts received by it as equity capital.

(2) The trustee mentioned in clause 5(f) shall hold the trust fund in trust jointly for:

(a) the venture capital corporation; and

(b) the Crown;

to be dealt with in accordance with this section.

(3) Subject to subsection (5), while any amount is held in trust pursuant to subsection (1), the minister shall permit payment from the trust fund of an amount equal to three sevenths of the purchase price paid by the venture capital corporation to acquire an eligible investment but he shall do so only when he is satisfied that:

(a) the purchase price of that eligible investment has been paid in full in money; or

(b) the amount permitted to be paid out by the minister will be used by the venture capital corporation in payment of the purchase price of the eligible investment.

(4) Subject to subsection (5), while any amount is held in trust pursuant to subsection (1), the minister may permit payment from the fund to a shareholder of the venture capital corporation of an amount calculated in the prescribed manner when the venture capital corporation acquires equity shares of its own issue by redemption, purchase or otherwise from the shareholder.

(5) No money held in trust pursuant to subsection (1) is to be paid out to any person unless the minister consents in writing to that payment.

(6) Subject to subsection 20(4), interest earned on the trust fund established in accordance with subsection (1) is required to be paid to the venture capital corporation.

(7) Where the registration of a venture capital corporation is revoked, any moneys then remaining in the trust fund established pursuant to subsection (1) are immediately payable to the Crown and:

(a) the receipt of the minister for the payment over of those moneys to the Crown is a full and sufficient discharge to any trustee for that money or to any other person having control of the trust fund; and

(b) the payment is a full and complete discharge to the person making it and for any claim to that payment by any person that claims to be entitled to the funds.

(8) Any person who fails to make the payment to the Crown required by subsection (7) is liable to the Crown for the amount that should have been paid pursuant to subsection (7).

Eligible investments

9(1) In this section:

(a) "corporation" includes an association, partnership or other organization;

(b) "non-resident" means:

(i) an individual who is not a resident Canadian;

(ii) a corporation incorporated, formed or otherwise organized elsewhere than in Canada;

(iii) a corporation that is controlled directly or indirectly by persons described in subclause (i) or (ii);

(iv) a trust in which persons described in subclause (i), (ii) or (iii) have more than 50% of the beneficial interest; or

(v) a corporation that is controlled directly or indirectly by a trust described in subclause (iv).

(2) An investment is an eligible investment if:

(a) it is made in an eligible small business and 75% or more of the wages and salaries of the small business are paid with respect to operations in Saskatchewan;

(b) it is made in a small business primarily engaged in:

(i) prescribed manufacturing and processing;

(ii) prescribed tourist activities;

(iii) prescribed research and development;

(iv) any other prescribed business activity; or

(v) subject to the approval of the minister, any business activity primarily carried on in an urban, rural or northern municipality, other than a city having a population in excess of 5,000 residents;

(c) it is the purchase and acquisition from a small business by the venture capital corporation of equity shares issued by the small business but, where the equity shares are issued as part of the transaction involving the purchase or redemption, directly or indirectly, of any previously issued shares of the small business or an affiliated corporation, of the small business, it is an eligible investment only to the extent that the investment represents net new equity capital as calculated in the prescribed manner;

(d) it is not used by the small business for the purpose of:

(i) relending;

(ii) investment in real property except any real property that is incidental and ancillary to the principal objects of the small business;

(iii) reinvestment outside Canada;

(iv) purchasing or acquiring the securities of any person; or

(v) investment for any prescribed purpose or object;

(e) the number of equity shares taken by the venture capital corporation and any of its affiliated corporations in the small business which the venture capital corporation and the affiliated corporation invests does not at any time exceed 49%, calculated in accordance with subsection (3), of all issued and outstanding equity shares of the small business;

(f) the aggregate of eligible investments made by two or more venture capital corporations in a small business does not exceed 49%, determined in accordance with subsection (3), of the issued and outstanding equity shares of the small business;

(g) the aggregate of eligible investments made by all venture capital corporations in any small business does not exceed $5,000,000 or any other prescribed amount; and

(h) it is made in a small business in which:

(i) the total number of equity shares of the corporation beneficially owned, directly or indirectly, by non-residents or over which non-residents exercise control or direction does not exceed 25% of the total number of issued and outstanding equity shares of the corporation; or

(ii) the total number of equity shares of the corporation beneficially owned, directly or indirectly, by a non-resident or over which he exercises control or direction, together with other shareholders associated with him, if any, does not exceed 10% of the total number of issued and outstanding equity shares of the corporation; and

(i) it is made in a class of eligible small businesses that is not prohibited by the regulations.

(3) In determining the percentage of issued and outstanding equity shares of a small business for the purposes of clause (2)(e) or (f):

(a) the number of equity shares into which any debt obligation or shares of that small business may be converted;

(b) any option or right to purchase equity shares of that small business; and

(c) any equity shares, convertible debt obligations and any options or rights of that small business beneficially owned or held by an associate or an affiliated corporation of the venture capital corporation or any shareholder of it or an associate or affiliated corporation of that shareholder;

are required to be included.

(4) For the purpose of subclause (2)(h)(ii), a shareholder is deemed to be associated with another shareholder if:

(a) one shareholder is a corporation of which the other shareholder is an officer or director;

(b) one shareholder is a partnership of which the other shareholder is a partner;

(c) one shareholder is a corporation that is controlled directly or indirectly by the other shareholder;

(d) both shareholders are corporations and one shareholder is controlled, directly or indirectly, by the same individual or corporation that controls, directly or indirectly, the other shareholders;

(e) both shareholders are members of a voting trust that relates to shares of a corporation; or

(f) both shareholders are associated within the meaning of clauses (a) to (e) with the same shareholder.

Investments

10 (1) A venture capital corporation shall maintain its assets in:

(a) eligible investments;

(b) liquid reserves;

(c) equity shares that were eligible investments at the time they were acquired by the venture capital corporation;

(d) debt obligations of any small business that is an eligible investment;

(e) new shares of any business engaged in any prescribed activity where:

(i) that new business employs more than the maximum number of employees prescribed for small business; and

(ii) not more than 10% of the equity capital of the venture capital corporation is invested pursuant to this clause; or

(f) any other prescribed form.

(2) A venture capital corporation shall deposit any assets that are maintained as liquid reserves in:

(a) any chartered bank to which the *Bank Act* (Canada), as amended from time to time, applies;

(b) in any trust corporation or loan corporation licensed pursuant to *The Trust and Loan Corporations Act*; or

(c) any credit union incorporated or continued pursuant to *The Credit Union Act*;

or shall hold those assets or other prescribed investments on those terms and conditions and for that period that the corporation considers expedient.

Prohibited investments

11(1) In this section:

(a) "major shareholder" means a person who holds 10% or more of the voting rights attached to all equity shares of the venture capital corporation for the time being outstanding; and

(b) "widely held, venture capital corporation" means a venture capital corporation that has 10 or more shareholders, each holding not more than 10% of the issued and outstanding equity shares of the corporation, and in which none of the shareholders are associates or affiliated corporations.

(2) No venture capital corporation shall invest or maintain an investment in a security issued by a corporation which is or was at any time a small business if:

(a) any of the shares of that corporation are held by:

(i) a major shareholder or an affiliated corporation or an associate of a major shareholder of the venture capital corporation;

(ii) an officer or director or an associate of an officer of director of a venture capital corporation that proposes to invest or has invested in that corporation or an officer or director or an associate of an officer or director of a major shareholder of that venture capital corporation; or

(iii) a voting trust where the trust relates to the shares of the venture capital corporation;

(b) except for widely held, venture capital corporations, the venture capital corporation, together with its shareholders and any associates and affiliated corporations of its shareholders, would hold more than 49% of the issued and outstanding equity shares of that corporation;

(c) the corporation, an associate or affiliated corporation of that corporation, a shareholder of that corporation or an associate or affiliated corporation of that shareholder directly or indirectly provides, by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with the purchase of shares of the venture capital corporation; or

(d) the aggregate of eligible investments made by two or more venture capital corporations in that corporation would exceed 49% of the issued and outstanding equity shares of the corporation.

(3) No venture capital corporation, other than a widely held, venture capital corporation, shall invest in a small business if the proceeds of that investment are used or are intended to be used, in whole or in part, to finance the purchase of goods or services provided to the small business by or through any shareholder of the venture capital corporation or any associate or affiliated corporation of that shareholder.

Material change

12(1) For the purposes of this section, a material change occurs if the investment of a venture capital corporation ceases to be an eligible investment.

(2) A venture capital corporation shall notify the minister in the prescribed form of any material change in any of its eligible investments within 30 days of the date of the material change.

(3) Where there is a material change, the investment by a venture capital corporation remains an eligible investment, notwithstanding any other provision of this Act, for a period of two years from the date of the material change or any other period of time as the minister may allow either in general terms or with respect to one or more specific cases.

(4) Notwithstanding subsection (3), where, as a result of a material change, an investment becomes an ineligible investment pursuant to clause 11(2)(a), the venture capital corporation shall immediately dispose of the investment.

(5) Notwithstanding subsection (3), where a material change occurs by reason only of a small business exceeding the prescribed number of employees, the material change is deemed not to have occurred until the small business and its affiliated corporations have more than the prescribed number of permitted employees determined in the prescribed manner.

(6) Notwithstanding any other provisions of this Act, where a material change described in subsection (5) occurs, the investment by a venture capital corporation remains an eligible investment for a period of five years from the date of the material change.

Restrictions on dispositions

13 A venture capital corporation shall not transfer or grant any equity shares or any option or right to acquire equity shares of a small business or of a corporation that has ceased to be a small business or an eligible investment without first granting to all other holders of the equity shares of that small business or corporation the right to acquire the whole or any part of the equity shares, option or right on the same terms and conditions.

VENTURE CAPITAL TAX CREDIT

Filing of financial statements

14 Within six months following its first and subsequent years of operation as a venture capital corporation, the corporation shall file with the minister its financial statements and auditor's report on those financial statements.

Information

15(1) Within 90 days after each anniversary of the date of its registration, every venture capital corporation shall prepare, verify and file with the minister a return, in the form required by the minister, setting out, as of its anniversary date, the information required by that return.

(2) A venture capital corporation shall notify the minister, in the form required by the minister, of any action involving:

(a) the payment of any dividend on the equity shares of the corporation;

(b) the purchase, surrender, redemption or conversion of any equity share of the corporation;

(c) the disposition of any eligible investment; or

(d) the winding up or dissolution of the corporation;

at least 21 days prior to carrying out the proposed action.

(3) The minister may, in his discretion, enlarge the time for filing any notice or return pursuant to subsection (19) and (2).

(4) The minister may, at any time, require:

(a) a venture capital corporation; or

(b) a corporation in which a venture capital corporation has invested for the purpose of obtaining a grant or a tax credit pursuant to this Act;

to supply to him, within a time to be specified by him, any information or material, or any further information or material, respecting any aspect of the venture capital corporation's or corporation's share or capital structure, directors, officers, business or affairs that the minister considers necessary for the administration or enforcement of this Act and the regulations.

(5) The minister may require any information submitted pursuant to subsection (4) to be verified by affidavit or any other means that he may require.

INVESTMENT INCENTIVES

Eligibility for investment incentives

16(1) In this section and in sections 17 and 18, "person" means an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative

that is ordinarily resident in Saskatchewan, but does not include a partnership, association, syndicate, organization or trust that has a corporation as one of its members or beneficiaries.

(2) Subject to subsections (3), (4) and 6(3), where a person, fund or corporation complies with the provisions of this Act, the minister may make a grant or allow a tax credit to that person, corporation or fund pursuant to this Act.

(3) Unless a venture capital corporation has established and maintained a trust in accordance with section 8, the minister shall not make a grant or allow a tax credit pursuant to section 17 to any shareholder of that corporation.

(4) Subject to section 23, where the minister is of the opinion that the venture capital corporation, its officers or directors, or its shareholders are conducting their business and affairs:

(a) in a manner that is contrary to the spirit and intent of this Act; or

(b) for the purpose of obtaining a grant or tax credit to which they would not otherwise be entitled;

the minister may:

(c) revoke the registration of the venture capital corporation; or

(d) refuse to pay a grant or allow a tax credit pursuant to this Act.

(5) Where a venture capital corporation does not comply with the provisions of this Act or the regulations, but the minister is of the opinion that the corporation is meeting the spirit and intent of the Act, the minister may, for any time that he considers appropriate, refrain from revoking the registration of any corporation.

Investment incentives

17(1) Subject to subsections (2) and (3):

(a) a person or corporation, other than a person mentioned in clause (b), who is the beneficial and registered owner of equity shares of a venture capital corporation may apply in the form provided by the minister for a tax credit and the minister may allow a tax credit equal to 30% of the money actually paid by the applicant to the venture capital corporation for equity shares issued to the applicant by the corporation;

(b) a person, fund or corporation described in subsection (4) who or which is the beneficial and registered owner of equity shares of a venture capital corporation may apply in

the form provided by the minister for a grant and the minister may pay a grant equal to 30% of the money actually paid by the applicant to the venture capital corporation for equity shares issued to the applicant by the corporation.

(2) The minister shall not pay any grant or allow any tax credit pursuant to subsection (1) unless:

(a) the equity shares are purchased directly from the venture capital corporation issuing the equity shares; and

(b) in the case mentioned in clause (1)(b), the person, fund or corporation is resident in Saskatchewan.

(3) An application made pursuant to section (1) is required to be accompanied by:

(a) a certificate containing the prescribed information signed by the secretary and one authorized officer of the venture capital corporation that has issued the equity shares with respect to which a grant or tax credit is sought; and

(b) any additional material that the minister may request.

(4) Notwithstanding anything in this section or in section 16:

(a) a pension fund that:

(i) is registered pursuant to *The Pension Benefits Act*; or

(ii) has a prescribed percentage of its contributors resident in Saskatchewan; or

(b) any other prescribed:

(i) person;

(ii) fund; or

(iii) corporation;

which or who is exempt from tax under *The Income Tax Act*;

is eligible for a grant pursuant to subsection (1) on meeting the prescribed terms and conditions.

(5) When the person, fund or corporation applying for a grant or tax credit pursuant to this section is the registered, but not the beneficial, owner of equity shares of a venture capital corporation, the minister may set the terms and conditions relating to the beneficial ownership of the shares that are to be complied with in order to entitle the person to the grant or tax credit.

Claiming tax credit

18(1) Subject to subsection (2), a person or corporation that is allowed a tax credit pursuant to subsection 17(1) is entitled, in accordance with those procedures that may be set by the

Minister of Finance, to apply the tax credit allowed pursuant to section 8.3 of *The Income Tax Act*.

(2) Where a person or corporation claims a tax credit pursuant to section 8.3 of *The Income Tax Act* for a taxation year with respect to a tax credit allowed pursuant to subsection 17(1), the annual return required pursuant to *The Income Tax Act* for the taxation year is required to be accompanied by a completed form certified by the minister.

Carry forward of tax credit

19 The unused portion of the tax credit obtained pursuant to subsection 17(1) may be carried forward by the taxpayer and deducted from the tax otherwise payable by the taxpayer in any one or more of the taxpayer's seven subsequent taxation years.

Recapture

20(1) Where a venture capital corporation:

(a) proposes to wind up or dissolve;

(b) has its registration revoked; or

(c) purchases or otherwise acquires any of its equity shares;

the venture capital corporation shall immediately pay to the Crown an amount of money calculated according to the rules set out in this section.

(2) Where a venture capital corporation purchases or otherwise acquires one of its equity shares for a total consideration that:

(a) is equal to or greater than that for which the share was issued, the venture capital corporation shall pay to the Crown an amount of money equal to 30% of the consideration paid to the corporation by the shareholder for the share at the time the share was issued;

(b) is less than that for which the share was issued, the venture capital corporation shall pay to the Crown an amount equal to 30% of the gross consideration paid by the corporation for the purchase or acquisition of the share.

(3) Where the registration of a venture capital corporation is revoked or where the corporation proposes to wind up or dissolve, the venture capital corporation shall pay to the Crown an amount equal to 30% of the value of all its shareholders' equity to an amount not exceeding the aggregate of the grants or tax credits made or allowed by the minister in respect of all equity shares then issued and outstanding at the time of the revocation, winding up or dissolution, calculated in the prescribed manner.

(4) Where:

(a) a venture capital corporation proposes to wind-up or dissolve; or

(b) the registration of a venture capital corporation is revoked for failure to comply with subsection 7(1) or (3);

it shall pay to the Crown, in addition to the amount set out pursuant to subsection (3), an amount equal to the interest earned on all moneys paid into the trust fund established by the corporation in accordance with section 8, and not paid out in accordance with subsection 8(3) from the date of registration of the corporation pursuant to this Act.

Share certificate

21 Every share certificate with respect to equity shares issued by a venture capital corporation is required to conspicuously state on its face the words "The value of the shares represented by this certificate may be significantly affected by recapture provisions pursuant to *The Venture Capital Tax Credit Act*".

Demand

22(1) Where any amount is payable to the Crown or is deemed to be payable to the Crown pursuant to this Act, the minister may, by Notice of Demand in writing to the person or corporation by whom that payment is owing or claimed to be owing, demand payment immediately or within that number of days that are specified in the demand and, if the payment is not made as demanded, the minister may recover and collect the amount of that payment by any of the remedies or procedures provided for in this Act.

(2) Notwithstanding that an objection or other proceeding pursuant to section 23 has been commenced or may be commenced, every amount demand to be paid pursuant to subsection (1) remains payable and recoverable unless the demand for payment is revoked in writing by the minister.

DISPUTES

Proposal by minister

23(1) Where the minister proposes to:

(a) refuse to register a corporation pursuant to this Act;

(b) revoke the registration of a venture capital corporation; or

(c) refuse to pay a grant or allow a tax credit pursuant to section 17;

he shall serve notice of his proposal, together with written reasons for it, on the applicant or registrant.

(2) If the minister has not registered a corporation pursuant to section 5 within four months of the date on which the corporation delivered a proposal pursuant to section 4, the minister is deemed to have refused registration pursuant to clause (1)(a).

(3) Where a person objects to the proposal pursuant to subsection (1) that is served on them or to a deemed refusal pursuant to subsection (2), it may, within 60 days from:

(a) the day of mailing of the proposal; or

(b) the date on which the minister is deemed to have refused registration pursuant to subsection (2);

serve on the minister a notice of objection in duplicate and in the form required by the minister setting out the reasons for the objection and all relevant facts.

(4) A person shall serve his notice of objection pursuant to this section by sending it by registered mail addressed to the minister.

(5) The minister may accept a notice of objection pursuant to this section notwithstanding that it was not served in the manner required.

(6) Where an applicant or registrant does not serve a notice of objection pursuant to subsection (3), the minister may carry out the proposal stated in his notice pursuant to subsection (1).

(7) On receipt of the notice of objection, the minister shall with all due dispatch:

(a) reconsider the proposal objected to and confirm, vary or abandon the proposal; and

(b) notify the person or corporation making the objection of his action by registered mail.

(8) A decision of the minister pursuant to subsection (7) is final and is not subject to appeal.

Determination of question

24 Notwithstanding subsection 23(8), where a dispute over a decision or action of the minister pursuant to subsection 23(7) involves:

(a) the interpretation of a provision of this Act;

(b) an issue solely of law in which no facts are in dispute; or

(c) the proper inference to be drawn from facts that are not in dispute;

the disputing party may appeal to a judge of Her Majesty's Court of Queen's Bench for Saskatchewan to have the issue in dispute determined.

OFFENCE

Offence

25(1) Every person who makes or assists in making a statement in any document required by or for the purposes of this Act or the regulations that:

(a) at the time and in the light of the circumstances under which it was made, is false or misleading in respect of any material fact; or

(b) omits to state any material fact the omission of which makes the statement false or misleading;

is guilty of an offence and is liable on summary conviction to a fine:

(c) in the case of a person other than a corporation, of not more than $2,000; or

(d) in the case of a corporation, of not more than $20,000.

(2) A person is not guilty of an offence pursuant to subsection (1) where the person or corporation did not know that the statement was false or misleading and in the exercise of reasonable diligence could not have known that the statement was false or misleading.

Investigations

26(1) Any person authorized in writing by the minister for any purpose related to the administration or enforcement of this Act may, at all reasonable times, enter into any premises or place where any business is carried on, any property is kept or anything is done in connection with any business that is, or any books or records that are, or should be, kept pursuant to this Act and may:

(a) audit or examine the books and records and any account, voucher, letter, telegram or other document that relates or may relate to:

(i) the information that is or should be in the books or records; or

(ii) the amount of a grant or tax credit pursuant to this Act;

(b) examine property described by an inventory or any property, process or matter an examination of which may, in his opinion, assist him in determining the accuracy of an inventory or in ascertaining the information that is or should be in the books or records or the amount of a grant or tax credit pursuant to this Act;

(c) require a person:

(i) to whom a grant or tax credit is or may be given pursuant to this Act; or

(ii) who is liable to pay to the Crown any amount pursuant to this Act;

or, where the person is a partnership or corporation, require a partner or the president, manager, secretary or any director, agent or representative of that person and any other individual on the premises or place to give him all reasonable assistance with his audit or examination and to answer all questions relating to the audit or examination, either orally, or, if he so requires, in writing, on oath or by statutory declaration, and for that purpose require those persons to attend at the premises or place with him; and

(d) where, during the course of an audit or examination, it appears to him that there has been a violation of this Act or the regulations, the person authorized by the minister may, with the written permission of the minister, seize and take away any of the records, books, accounts, vouchers, letters, telegrams and other documents and retain them until they are produced in any court proceedings.

(2) The minister may, for any purpose related to the administration or enforcement of this Act, by registered letter or by a demand served personally, require from:

(a) any person; or

(b) if person is a partnership or corporation, from a partner or the president, manager, secretary or any director, agent or representative of that person;

production, or production on oath, of any books, letters, accounts, invoices, statements, financial or otherwise, or other documents within any reasonable time that is stipulated in the registered letter or demand.

(3) The minister may, by registered letter or by a demand served personally, require the production, under oath or otherwise, by any person, partnership, syndicate, trust or corporation or by his or its agent or officer of any letters, accounts, invoices, statements, financial or otherwise, books or other documents in the possession or in the control of that person, partnership, syndicate, trust or corporation or of his or its agent or officer for the purpose of determining the amount of a grant or tax credit or the amount payable to the Crown pursuant this Act by any person and production of those documents is required to be made within any reasonable time that is stipulated in the registered letter or demand.

(4) The minister may, for any purpose related to the administration or enforcement of this Act, authorize any person, whether or not he is an officer of the department, to make any inquiry that the minister considers necessary with reference to anything relating to the administration or enforcement of this Act.

(5) Where any book, record or other document has been seized, examined or produced pursuant to this section, the person by whom it is seized or examined or to whom it is produced or any officer of the department may make, or cause to be made, one or more copies of the document and a document purporting to be certified by the minister or a person authorized by the minister to be a copy made pursuant to this section is admissible in evidence, without proof of the office or signature of the person appearing to have certified the document and has the same probative force as the original document.

(6) No person shall hinder, molest or interfere with a person doing anything that he is authorized by or pursuant to this section to do or prevent or attempt to prevent a person from doing any such thing and, notwithstanding any other law to the contrary, every person shall, unless he is unable to do so, do everything he is required by or pursuant to this section to do.

(7) Declarations or affidavits in connection with statements of information submitted pursuant to this section may be taken before a person having authority to administer oaths.

(8) For the purpose of an inquiry authorized pursuant to subsection (4), the person authorized to make the inquiry has all the powers and authorities conferred on a commissioner by sections 3 and 4 of *The Public Inquiries Act* and is deemed to have the powers and authorities that may be conferred on commissioners by section 5 of that Act.

Amount to constitute a debt due

27(1) Where:

(a) an amount is payable to the Crown by a venture capital corporation pursuant to section 20; or

(b) a person or corporation obtains a grant or tax credit pursuant to this Act on the basis of information that is false or misleading or of an application that contains any false or misleading statement;

the amount of that payment, grant or tax credit, as the case may be, is a debt due to the Crown and may be recovered:

(c) by deducting that amount from future grants or tax credits pursuant to this Act to which the venture capital corporation is eligible; or

VENTURE CAPITAL TAX CREDIT

(d) by filing a certificate of the minister certifying the amount of the payment, grant or tax credit, as the case may be, together with interest at the prescribed rate to the date of the certificate, with the local registrar of Her Majesty's Court of Queen's Bench for Saskatchewan at any judicial centre.

(2) A certificate filed pursuant to clause (1)(d) has the same force and effect as if it were a judgment obtained in Her Majesty's Court of Queen's Bench for Saskatchewan for the recovery of a debt in the amount specified in the certificate, together with any reasonable costs and charges with respect to its filing.

Limitation

28 No proceedings to enforce any provision of this Act or the regulations may be instituted after six years after the time the subject matter of the proceedings arose.

OTHER

Regulations

29(1) The Lieutenant Governor in Council may make regulations:

(a) requiring the payment of fees for any matter required to be done in the administration of this Act and prescribing the amounts of those fees;

(b) requiring any person or corporation to supply information or submit returns respecting any class of information required in assessing compliance with this Act;

(c) prescribing the calculation of the amount of a grant or tax credit where equity shares are purchased by a shareholder as part of a distribution to the public;

(d) defining any word or expression used in this Act but not defined in this Act;

(e) defining the expression "small business" for the purposes of this Act or the regulations, enlarging or restricting that definition for the purpose of any provision of this Act or the regulations or designating any business, or business in any class of businesses, as a small business for the purposes of this Act or the regulations or any provision of this Act or the regulations;

(f) prescribing the method of calculation of the consideration to be paid for each equity share pursuant to section 20 where a venture capital corporation proposes to dissolve, or where its registration is revoked, or any of its equity shares are purchased or otherwise acquired by the venture capital corporation;

(g) prescribing any conditions that a corporation must meet prior to registration;

(h) prescribing the method of determining the amount of equity capital of a venture capital corporation;

(i) prescribing authorized investments for the purposes of section 10;

(j) prescribing the method of calculation to be used in determining the percentage of wages and salaries paid in Saskatchewan;

(k) prescribing any rate of interest that is to be prescribed and the method by which it is to be calculated; and

(l) prescribing any other matter or thing required by this Act to be prescribed by the regulations.

Coming into force

30 This Act or any provision of this Act comes into force on a day or days to be fixed by proclamation of the Lieutenant Governor.

THIRD SESSION

Twentieth Legislature

SASKATCHEWAN

BILL

No. of 1983-84

An Act respecting Venture Capital Corporations

Received and read the

First time

Second time

Third time

And passed

Mr. Klein

REGINA SASKATCHEWAN
Printed by THE QUEEN'S PRINTER
1984

CHAPTER V-4.1 REG 1

The Venture Capital Tax Credit Act
Section 29

Order in Council 810/84, dated June 28, 1984.

(Filed June 29, 1984)

ORDER

His Honour the Lieutenant Governor in Council, on the recommendation of the Minister of Tourism and Small Business, pursuant to section 29 of *The Venture Capital Tax Credit Act*, makes *The Venture Capital Tax Credit Regulations* in accordance with the attached Schedule.

SCHEDULE

Title

1 These regulations may be cited as *The Venture Capital Tax Credit Regulations*.

Interpretation

2(1) In these Regulations:

"Act"

(a) "Act" means *The Venture Capital Tax Credit Act*;

"Income Tax Act"

(b) "*Income Tax Act*" means the *Income Tax Act* (Canada), as amended from time to time.

(2) For the purposes of the Act and these regulations, a corporation is deemed to be controlled by another person or corporation where the other person or corporation, either alone or together with any associates or affiliated corporations, or any combination of associates or affiliated corporations, has the right, by agreement or otherwise, to nominate or elect more than:

(a) 50% of the board of directors; or

(b) 50% of the executive committee of the board of directors;

of the first-mentioned corporation.

Definition of "small business"

3(1) In this section:

(a) "employee" means a person who works a total of 20 hours or more per week for:

(i) the corporation;

(ii) a corporation described in clause (3)(a);

(iii) a corporation described in clause (3)(b); or

(iv) any combination of the corporations mentioned in subclauses (i) to (iii);

and includes an employee hired through a temporary-help agency;

(b) "employee hired through a temporary-help agency" means an employee who:

(i) is hired through an agency that is in the business of supplying temporary-help services or similar services; and

(ii) is required to perform work or services at the place of business of the corporation retaining the services of the agency for which the corporation pays a fee or other remuneration to the agency, and not to the employee, with respect to the work or services performed by the employee;

(c) "officer" means:

(i) the chairman and any vice-chairman of the board of directors;

(ii) the president;

(iii) the vice-president;

(iv) the secretary;

(v) any assistant secretary;

(vi) the treasurer;

(vii) any assistant treasurer;

(viii) the general manager;

(ix) any other person designated as an officer by bylaw or by resolution of the directors; or

(x) any other individual who performs functions for the corporation similar to those normally performed by any individual occupying an office described in subclauses (i) to (ix).

(2) For the purposes of the Act, "small business" means a corporation having not more than 75 employees, excluding directors and officers of the corporation.

(3) For the purposes of subsection (2):

(a) an employee of a corporation that is affiliated with the corporation or would be affiliated with the corporation but for equity shares held by a venture capital corporation is deemed to be an employee of the corporation;

(b) an employee of a corporation participating in a joint venture with:

(i) the corporation; or

(ii) a corporation affiliated with the corporation;

is deemed to be an employee of the corporation;

(c) the determination of whether or not a corporation has more than 75 employees is required to be based on the

average number of employees for the 12-month period preceding the date of investment in the corporation by the venture capital corporation; and

(d) the corporation shall provide the minister with the information he requires to be satisfied that the corporation, any corporations described in clause (a) or a corporation described in clause (b) has not reduced the number of employees for a purpose primarily related to enabling the corporation to become an eligible small business.

(4) Notwithstanding subsection (2), where the corporation does not provide the minister with information that he requires to be satisfied that:

(a) the issued capital of the corporation and any previously affiliated corporation has not been reduced or otherwise varied; and

(b) there have been no changes in the shareholders of the corporation and any previously affiliated corporation;

for a purpose primarily related to enabling the corporation to qualify as a small business, the corporation is deemed not to be a small business.

(5) Notwithstanding subsection (3), where a corporation provides the minister with the information he requires to be satisfied that the corporation will qualify as a small business at the end of the 12-month period commencing on the date of investment in the corporation by the venture capital corporation, the minister may declare the corporation to be a small business.

Calculation of consideration

4 For the purposes of clause 2(1)(g) of the Act, the aggregate consideration expressed in Canadian currency for which equity shares mentioned in clauses 5(c) and (d) of the Act were issued is required to be used to calculate the amount of consideration paid in money for which equity shares are issued.

Prescribed conditions for registration

5 For the purposes of clause 5(g) of the Act, it is a prescribed condition that the articles of incorporation of the corporation prohibit the payment of any fee or remuneration to any shareholder, director or officer of the corporation unless the payment has been first approved by a resolution of the shareholders of the corporation.

Maximum amount of tax credits, grants

6 For the purposes of subsection 6(3) of the Act, the maximum amount of grants and tax credits that may be paid in the 1984-85 fiscal year is $5,000,000.

Calculation of percentage of equity capital

7(1) Subject to subsection (2), for the purposes of subsection 7(4) of the Act, the average 70% of equity capital maintained in

eligible investments is required to be calculated as the average of the percentages of equity capital held in eligible investments on the last day of each month of the immediately preceding 12 months.

(2) Where any month included in the calculation made pursuant to subsection (1) is a month in the year following the thirtieth month of registration, the percentage of equity capital held in eligible investments on the last day of the month is required to be the greater of:

(a) the actual percentage of equity capital held in eligible investments at the end of the month; or

(b) 70%.

(3) For the purposes of the calculation made pursuant to subsection (1), where a venture capital corporation disposes of equity shares maintained in eligible investments, an amount equal to the original purchase price of the shares disposed of is deemed to have been maintained in eligible investments for a period of three months commencing on the last day of the month in which the disposition occurs.

(4) For the purposes of subsection (2), "the actual percentage of equity capital held in eligible investments" includes the amount deemed to have been maintained in eligible investments for a period of three months pursuant to subsection (3).

Calculation of payment from trust fund

8(1) For the purposes of subsection 8(4) of the Act, the amount of payment from the trust fund to a shareholder of the venture capital corporation on the redemption, purchase or other acquisition of the shareholder's equity share by the venture capital corporation is the amount obtained by subtracting the aggregate of:

(a) any portion of the amount payable by the venture capital corporation to the minister pursuant to section 20 of the Act by reason of the redemption, purchase or acquisition of the equity share that remains unpaid at the time of the payment from the trust fund; and

(b) an amount equal to the amount of interest earned on the amount paid into the trust fund on the issue of the equity share, from the date of issue of the equity share or the date of registration of the venture capital corporation pursuant to the Act, whichever is later;

from the lesser of:

(c) 30% of the amount for which the equity share was originally issued; or

(d) 30% of the consideration payable by the venture capital corporation to the shareholder on the redemption, purchase or other acquisition of the equity share.

(2) For the purposes of subsection 20(2) of the Act and subsection (1) of this section:

(a) any amount paid from the trust fund to the shareholder; and

(b) any amount payable by the corporation pursuant to section 20 of the Act;

are deemed to form part of the gross consideration payable to the shareholder on the redemption, purchase or other acquisition of the share.

Eligible investments

9(1) For the purposes of subclause 9(2)(b)(i) of the Act, "prescribed manufacturing and processing activity" means the production or putting into marketable form of goods or materials by employees of a small business for sale or lease by the small business from raw, unfinished or prepared goods or materials but does not include:

(a) construction and real estate activities;

(b) farming or fishing;

(c) primary resource exploration or extraction; or

(d) retail, commercial or personal services.

(2) For the purposes of subclause 9(2)(b)(ii) of the Act, "prescribed tourist activity" means the operation and management of a commercial attraction or facility, other than accommodation or food service, designed for and used primarily by persons travelling more than 80 kilometres from their ordinary place of residence, and includes facilities incidental and ancillary to those activities.

(3) For the purposes of subclause 9(2)(b)(iii) of the Act, "prescribed research and development" means scientific research and development:

(a) as defined pursuant to section 2900 of the regulations made pursuant to the *Income Tax Act*; and

(b) that is carried on directly in Canada.

(4) For the purposes of subclause 9(2)(b)(iv) of the Act, "other prescribed business activity" includes any retail or service business activity carried on in any urban, rural or northern municipality, other than a city having a population of more than 5,000.

Primarily engaged in business activity

10(1) For the purposes of clause 9(2)(b) of the Act, a small business is primarily engaged in a business activity prescribed pursuant to section 9 where the aggregate of:

(a) the percentage, expressed as a decimal fraction, that the assets used in that business activity is of the assets used in the total operations of the small business; and

(b) the percentage, expressed as a decimal fraction, that the wages and salaries paid with respect to that business activity is of the wages and salaries paid with respect to the total operations of the small business;

exceeds the number 0.80.

(2) Notwithstanding subsection (1), where a small business is commencing its first operations in a business activity prescribed pursuant to section 9 as of the date of investment by a venture capital corporation, the small business is deemed to be primarily engaged in that business activity if, not later than 12 months following the date of investment by the venture capital corporation in the small business, the small business is primarily engaged in that business activity in accordance with this section.

Calculation of net new equity capital

11 For the purposes of clause 9(2)(c) of the Act, net new equity capital represented by an eligible investment is required to be calculated as the difference between:

(a) the fair market value, at the date of purchase or redemption by the small business or an affiliated corporation of the small business directly or indirectly, of any previously issued shares of the small business or the affiliated corporation; and

(b) the purchase price for which the newly issued equity shares of the small business have been purchased or acquired by the venture capital corporation.

Ineligible investments

12 For the purposes of subclause 9(2)(d)(v) of the Act, an investment by a venture capital corporation in a small business is not an eligible investment where the small business uses the investment for the purpose of:

(a) repayment of a loan, other than a loan advanced by a venture capital corporation, advanced to the small business by:

(i) its shareholders;

(ii) persons who were its shareholders at the time the loan funds were advanced;

(iii) associates of its shareholders; or

(iv) persons who were associates of its shareholders at the time the loan funds were advanced;

(b) payment of dividends;

(c) funding of all or part of the purchase price where the small business purchases all or substantially all of the business assets of a proprietorship, partnership or corporation, unless the shareholders of the small business, who are not venture capital corporations, have contributed

sufficient additional capital to the small business to equal or exceed the aggregate of:

(i) the fair market value of any goodwill, research and development and other intangible assets being purchased, whether the assets are reported in the vendor's books and records of account or not;

(ii) the total net book value of the other assets being purchased, as reported in the vendor's books and records of account prepared in accordance with generally accepted accounting principles; and

(iii) an amount equal to all sums or credits advanced or loaned to the vendor by its shareholders, partners or associates and by associates of the vendor's shareholders or partners; or

(d) repayment of any debt which, in the opinion of the minister, was incurred directly or indirectly for any purpose set out in clauses (a), (b) or (c).

Prescribed number of permitted employees

13(1) For the purposes of subsection 12(5) of the Act, the prescribed number of permitted employees is 150.

(2) For the purposes of this section, the number of employees is to be calculated in the manner prescribed in section 3.

Residence of funds

14(1) For the purposes of subsection 17(2) of the Act, a pension fund is deemed to be a resident in Saskatchewan where:

(a) the pension fund is:

(i) a registered pension fund or plan defined pursuant to paragraph 1 of section 248(1) of the *Income Tax Act*;

(ii) a limited partnership, while it is registered pursuant to and conducting its affairs in accordance with *The Business Names Registration Act*, of which:

(A) each of the partners is a pension plan or fund registered pursuant to the *Income Tax Act*, with at least 10% of its contributors ordinarily resident in Saskatchewan; or

(B) each of the limited partners is a partner of the type described in paragraph (A) and each general partner that is not a partner of the type described in paragraph (A) provides a waiver, intended to bind that general partner, of any interest it may have or acquire in grants or tax credits payable or allowable to the limited partnership pursuant to the Act by reason of the limited partnership's acquisition of equity shares of a venture capital corporation; or

(iii) a pooled fund trust established pursuant to the regulations made pursuant to the *Income Tax Act*, and comprising a number of pension funds or plans

registered pursuant to the *Income Tax Act*, pursuant to which a separate trust fund makes investments on behalf of the participating pension funds or plans, each of which has acquired an interest or units in the pooled trust fund, if:

(A) at least 10% of the contributors to each of the pension funds and plans are ordinarily resident in Saskatchewan; or

(B) in the case of a pooled fund trust comprising one or more registered retirement savings plans, as defined in subsection 146(1) of the *Income Tax Act*, the beneficiary of each trust governing the registered retirement savings plans is or is deemed to be resident in Saskatchewan; and

(b) the pension fund:

(i) is registered pursuant to *The Pension Benefits Act*; or

(ii) has at least 10% of its contributors resident in Saskatchewan.

(2) For the purposes of subclause (1)(b)(ii), the percentage of contributors resident in Saskatchewan is required to be determined as of the date of purchase by the pension fund of equity shares in a venture capital corporation.

(3) Where:

(a) an applicant for a grant pursuant to clause 17(1)(b) of the Act is a limited partnership described in subclause (1)(a)(iii); and

(b) a general partner of the partnership is not a partner described in paragraph 1(a)(iii)(A);

the applicant shall furnish with his grant application a waiver, executed by and intended to bind the general partner, of any interest the general partner may have or acquire in grants or tax credits payable or allowable to the applicant pursuant to the Act by reason of the applicant's acquisition of equity shares of a venture capital corporation.

Calculation of recapture, shareholders equity

15(1) For the purposes of section 20 of the Act, the amount of money to be paid by the venture capital corporation to the minister is to be calculated only with reference to equity shares issued in consideration for equity capital in relation to which a tax credit or grant has been allowed pursuant to the Act.

(2) For the purposes of subsection 20(3) of the Act, "shareholders' equity" means the aggregate of:

(a) shareholders' equity as otherwise determined in accordance with generally accepted accounting principles, exclusive of any retained earnings or deficit; and

(b) the retained earnings or deficit of the venture capital corporation as adjusted to exclude:

(i) any prior losses from investments in assets not permitted pursuant to the Act and these regulations;

(ii) any prior losses from activities not authorized by the articles of incorporation;

(iii) an amount equal to any prior profits less prior dividends and dividends payable, to the extent that that amount does not exceed the amount of any prior losses from investments in eligible investments; and

(iv) the amount of any prior dividends paid or dividends payable which have rendered or will render the venture capital corporation insolvent within the meaning of *The Business Corporation Act*, or which diminish or will diminish its capital.

Compliance with *Securities Act*

16 For the purposes of clause 5(g) of the Act, a corporation shall satisfy the minister, as a condition of registration, that it has complied with *The Securities Act* with respect to the means by which it has obtained capital.

Rate of interest

17 For the purposes of clause 27(1)(d) of the Act, the prescribed rate of interest is equal to the sum of:

(a) the prime rate of the Bank of Canada as of the date on which the certificate is filed with Her Majesty's Court of Queen's Bench for Saskatchewan; and

(b) 2%.

Coming into force

18 These regulations come into force on the day on which the Act comes into force.

THE SASKATCHEWAN GAZETTE

CHAPTER V-4.1 REG 1

The Venture Capital Tax Credit Act
Section 29

Order in Council 810/84, dated June 28, 1984.

(Filed June 29, 1984)

IX. THE VENTURE CAPITAL TAX CREDIT ACT AND REGULATIONS

SCHEDULE

Title

1 These regulations may be cited as The Venture Capital Tax Credit Amendment Regulations, 1984.

R.R.S. c.V-4.1 Reg 1, new subsection 14(1.1)

2 The following subsection is added after subsection 14(1) of The Venture Capital Tax Credit Regulations:

"(1.1) Notwithstanding subclause (1)(b)(ii), a pension fund in Canada with less than 10% of its contributors resident in Saskatchewan is deemed to be resident in Saskatchewan if:

(a) the pension fund is the beneficial and registered owner of equity shares of a venture capital corporation that:

(i) has equity capital of not less than $1,000,000; and

(ii) has issued not less than 50% of its equity shares to persons, funds or corporations that are resident or are deemed to be resident pursuant to subsection (1) in Saskatchewan; and

(b) not more than one third of the equity capital of the venture capital corporation has been issued to pension funds that are deemed to be resident in Saskatchewan pursuant to this subsection which have no contributors in Saskatchewan".

Coming into force

3 These regulations come into force on the day on which they are filed with the Registrar of Regulations.

SCHEDULE to O/C 1239/84

SCHEDULE

Title

1 These regulations may be cited as The Venture Capital Tax Credit Amendment Regulations, 1984 (No. 2).

R.R.S. c.V-4.1 Reg 1, new section 4.1

2 The following section is added after section 4 of The Venture Capital Tax Credit Regulations:

Maximum aggregate consideration re certain corporation

"4.1 The maximum aggregate amount of consideration for which the equity shares of First Merchant Equities Inc. may be issued is $10,000,000".

Coming into force

3 These regulations come into force on the day on which they are filed with the Registrar of Regulations.